U.S. ENVIRONMENTAL EXPORTS

Y 4. F 76/1: EN 8/10

U.S. Environmental Exports, 103-1 H...

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC POLICY, TRADE AND ENVIRONMENT

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

H.R. 2112

AUGUST 4, 1993

Printed for the use of the Committee on Foreign Affairs

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U.S. ENVIRONMENTAL EXPORTS AND H.R. 2112

WEDNESDAY, AUGUST 4, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON ECONOMIC POLICY,
TRADE AND ENVIRONMENT,
Washington, DC.

The subcommittee met, pursuant to call, at 1:35 p.m. in room 2172, Rayburn House Office Building, Hon. Sam Gejdenson (chairman of the subcommittee) presiding.

Mr. GEJDENSON. Today and tomorrow, the subcommittee is holding hearings on the need to craft an effective export promotion strategy for the United States and to devote sufficient resources to promoting U.S. exports. We will be looking at two sectors of the economy which are important to the country and to my home state of Connecticut: Today, environmental exports, and tomorrow, the export of the products of defense diversification and conversion.

When new environmental agreements were hammered out at the Earth Summit last year, it was good news for the global environment. But it was also good news for American companies which produce goods and services to prevent, reduce, or clean up pollution. As countries try to live up to their new commitments, new market opportunities will be created for environmental firms.

America's history in the environmental area gives us a strong and important position to make this an important market for cleaning up pollution.

Given the potential benefit of increased environmental exports to American companies and American workers, we must help turn these new market opportunities into actual exports. We need to focus our export promotion resources on the U.S. environmental industry for three reasons.

First, the United States has a $4 billion trade surplus in the environmental sector in 1990. We have watched U.S. firms lose their competitive edge to overseas competitors in too many critical sectors, and American workers paid the price. The U.S. environmental industry must not be allowed to lose its competitive position.

Second, environmental exports not only help American firms and American workers, but also help to protect the global environment. U.S. firms manufacture technology which lower greenhouse gas emissions, reduce water and air pollution, and provide for safe disposal of waste. We all benefit by the diffusion of this technology to other nations.

Third, the international market for environmental goods and services is growing rapidly. The global environmental market currently stands at $270 billion annually, of which $155 billion is outside of the United States, and is expected to reach $400 billion by the end of the century. If U.S. firms manage to capture 20 percent of the growth anticipated in the overseas environmental market, an estimated 300,000 new American jobs will be created over the next 7 years.

As we have seen in other industries, when we lose in the international marketplace, we shortly thereafter start losing here at home to foreign competitors.

We must ensure that U.S. environmental firms are in a good position to fight their European and Japanese competitors for this growth market.

Despite the importance of the environmental sector, the United States has clearly not allocated enough resources to promoting environmental exports. A comparison of export promotion spending for manufactured products is a good indicator. The United States spent $231 million in 1990 to promote manufactured exports, while France spent $417 million, Italy spent $309 million, and the U.K. spent $298 million. If the United States is serious about helping U.S. environmental firms win overseas markets, these figures must change.

Aside from the spending issue, U.S. export promotion programs need to be fine-tuned and better coordinated to ensure that U.S. environmental firms get the help they need. President Clinton has fortunately called for the development of an environmental export promotion strategy to solve this problem, as have our two colleagues with us today, Congressman Studds and Congresswoman Furse.

In developing this strategy, the administration must consult closely with environmental companies to ensure that the strategy meets their needs. The agencies involved in crafting the strategy especially EXIM, OPIC, TDA and the Commerce Department, also need to reach out to small- and medium-sized environmental exporters and encourage them to take advantage of existing programs.

It is critically important that these steps be taken. In my home State of Connecticut, there are over 500 environmental firms, all of whom should be selling their products and services overseas. Increasing environmental exports from Connecticut would be a great boost to the local economy, and position the State to be a major player in the international environmental marketplace in the 21st century.

I would like to commend Representative Gerry Studds, Chairman of the Merchant Marine and Fisheries Committee, and Representative Elizabeth Furse for focusing attention on this important subject, and I look forward to their testimony today.

I would also like to thank today's other witnesses for their flexibility in arranging today's hearing and for testifying today.

Mr. Roth, do you have an opening statement?

Mr. ROTH. Thank you very much, Mr. Chairman. I will be brief. We do have some very important witnesses today.

Let me join in welcoming our witnesses. OPIC, Eximbank, TDA are all key elements of our country's effort to expand our exports. We are fortunate that all three have been well-managed and are on a sound financial footing.

I am sure each of you will do your utmost to meet the high standards set by your predecessors. Last year, we took the lead in authorizing the Trade Promotion Coordinating Committee, the TPCC, and putting the Commerce Department in charge. In the coming months, we will review the implementation of that legislation.

That brings me to what I see as the central question in this hearing: that is we are looking at how to increase our exports of U.S. environmental technology, an area where America has been in the forefront; but to be successful in this effort, we must have a coordinated approach. We cannot have Federal agencies all going off in their own directions. We need congruent Federal action.

That is my concern in this area. I think our private sector witnesses today will confirm that there is a problem. So I ask all the witnesses today to focus on this issue: how do we ensure that export promotion of environmental technology is coordinated and truly helpful to our exports?

Thank you, Mr. Chairman.

Mr. GEJDENSON. Thank you. Mr. Studds.

STATEMENT OF THE HON. GERRY E. STUDDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. STUDDS. It is a pleasure to be back after an absence of 3 years on this committee. I would like to compliment you on the decor. I would also like a copy of the stretching exercises done by Mr. Fascell in the last term.

You and Mr. Roth said it all in your opening statements. I want to begin by thanking you for adding to your agenda the bill Mrs. Furse and I introduced this summer, which has been reported by the Merchant Marine and Fisheries Committee. This is an enormous opportunity for the United States.

It will not hang around indefinitely. If we do not take advantage of it, the proper balance, you know, those of our competitive world will do so, most particularly Germany and Japan. This is an opportunity to do good and prosper at the same time. Something our Puritan forebears would have taken delight in. We are not wed to the details of our bill, but I think we have it right in general. I welcome you taking a look at it from your perspective. The key is to establish a public-private partnership.

Without participation of the private sector, this ain't going to work. We have some mutual friends, as you know, in New England who took the initiative in forming the Environmental Business Council of New England who attended the Earth Summit in Rio and found—to their horror—they were virtually alone there as members of the U.S. business community; and Japan, Germany and others were way ahead already, cooperating between public and private agencies trying to get a piece of this extraordinary national market. This is an opportunity measured in the hundreds of billions of dollars in terms of the international market.

Of course, it was really our environmental laws, our environmental leadership which helped create that market in many extraordinary ways. If we do not take advantage of this, we will find ourselves outfoxed and outrun and outraced and outside looking in in a world market which we ourselves were preeminent in creating. It will be a sad and ironic thing indeed.

Let me say to you, I will spare you the length of my testimony. I know you have a long and important list of witnesses. I was astonished at our hearings in our committee at the unanimity and enthusiasm of support by private enterprise from large to small. We had everything from small entrepreneurs to a major corporation such as Raytheon testifying with great enthusiasm as to the necessity and desirability of this legislation. There is an opportunity, as I say, to do good things and to profit at the same time.

That doesn't come along very often these days.

So I thank you for your consideration of our approach to this problem and we look forward with great interest in seeing what conclusions you come to in your own deliberations.

Mr. GEJDENSON. Thank you. Congresswoman Furse.

STATEMENT OF THE HON. ELIZABETH FURSE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Ms. FURSE. Thank you, Mr. Chairman, for allowing me to testify here today. It is a great honor to speak for an industry that is so valuable and particularly for our economic and environmental future. As you may know, in Oregon we feel we are preeminent in this field. We have over 400 small entrepreneurial businesses involved in the environmental technology field.

Now as you know, Mr. Chairman, while the United States has developed some of the toughest environmental laws in the world and has developed also some of the best environmental technology in the world, we have not made this concerted effort that I think is needed to market and make available that technology internationally. This industry has grown so rapidly that it is now predicted it will reach $500 billion a year by the year 2000 and we need to go forward; and unfortunately, we have not been able to do that up to now.

As you also know, the 102nd Congress had the foresight to see the economic and environmental advantage of expanding markets by passing the Export Enhancement Act. These efforts are laudable, but I think that the player that needs to be brought in is the private sector to a greater degree. So much has occurred in small entrepreneurial businesses; ways to reduce, recycle or remediate air, water, land pollution; those issues.

While these small entrepreneurial businesses and larger ones have great vision and integrity, unfortunately, they sometimes lack the expertise in exporting overseas their goods and services. It is for this reason that I hope that the subcommittee will consider H.R. 2112, which I have the great honor of being a cosponsor of along with Chairman Studds of the Merchant Marine Committee.

This bill is aimed principally at enhancing the private industry involvement and assisting them to reach out into global markets. It is a really win-win legislation because it allows us both to develop and also export this expertise.

I have heard concerns that it may duplicate efforts; and I think that that is important in this day of tight budgets to make sure we do not duplicate efforts; but the bill sets up a council and has some different parts. Essentially, the private sector is helped in a national strategy to export their products. Over the last 10 years, we have seen a dramatic rise in the number of public and private partnerships in virtually every industrial area; and the environmental technology area is a leader.

You have my firm commitment I will work with the committee to ensure we do not duplicate efforts under the Export Enhancement Act. The Environmental Trade Development Act endeavors to coordinate policies and programs and bring all the private and public parties together.

It creates regional environmental technology centers which will serve as sort of one-stop shopping centers for new businesses in how to reach out and do that export marketing. It promotes—produces a council that will be sunseted in 5 years.

I am also a member, as you know, Mr. Chairman, of the Armed Services Committee; and we are working on there to allow regional centers to do this technology reinvestment, technology project and compete for the funding under that project.

I think the environmental technology industry is a great industry for those grants.

We do need to pool our resources and work together. I hope that I can work with you, Mr. Chairman, to see that the environmental technology industry can work with your committee to develop these centers.

I urge that you support the National Environmental Trade Development Act of 1993 and I would look forward to working closely with you.

I see the bell has just gone off.

Thank you, Mr. Chairman. Thank you for allowing me to testify.

Mr. GEJDENSON. Thank you. I would like to thank both of you and say when the environment came up as an issue in this country, for the longest period of time, most people looked at it as an economic loser, that it would cost us money. I think very rapidly we found out the cost of replacing dirty water with clean water for people to drink was very expensive and there was a savings in protecting the environment. I think we see it as an economic opportunity from a manufacturing perspective for a country that has led the effort in many areas. I think your bill goes a long way to help us.

Any questions or comments by my colleagues?

Mr. ROTH. Just a quick question.

Last year, I remember our President was severely criticized for our stance in Rio. But here we are, a year later, and what have all these countries done? As I see it, almost nothing.

In fact, I think the only other country that has done anything is Germany, actually, to implement the treaty. The lesson seems to be that the United States, while we may not, you know, be shouting from the rooftops, are carrying through what we do and these other countries that shout from the rooftops don't do anything. Is that accurate?

Mr. STUDDS. I would never rise to any partisan bait, Mr. Roth, as you know.

Mr. ROTH. I realize that.

Mr. STUDDS. Let me say with regard to the specific component we seek to address in this legislation, it is the other countries that have been doing things and not us. They are way ahead of us. They are capturing the market for their own industries.

I think that is a wonderful nonpartisan approach, don't you?

Mr. GEJDENSON. The gentleman from Maryland.

Mr. ROTH. The chairman just told me I can't ask any more questions.

Mr. STUDDS. That is my kind of chairman.

Mr. WYNN. Thank you, Mr. Chairman.

I have two questions. One kind of starts at the beginning of the process. I was concerned as to whether you felt there were adequate incentives for the development of environmental technology. I know this legislation assumes we have existing technologies that are not being adequately exported. I am also concerned about whether we are developing new technologies to enable us to be competitive. Do we have incentives to accomplish that?

Mr. STUDDS. I will say to my colleague, the incentive lies in the vast magnitude of the market lurking out there. I think it is important to remember with all the problems we still have to address—we are not by any stretch of the imagination fully in compliance with our own statutes as you know—most of the rest of the world is way behind us. Most particularly, obviously, are the countries in the former Soviet Union and much of the Third World. It is not up to the most elementary stages of compliance.

We are the leaders in many respects in developing the technology to deal with cleaning the air, cleaning the water, applying things. It is also a classic case for economic conversion.

Raytheon, for example, is now using technology developed for space satellites, intelligence satellites to map the Amazon. It is just a remarkable capacity once we start looking at this. I don't think we need more incentives in view of the fact there is a market estimated at half-a-trillion dollars out there waiting for us.

Mr. WYNN. Does your approach provide for coordination with local and State efforts? I know a lot of the States have export marketing programs and it would seem to be important to coordinate with those efforts so there is no duplication.

Ms. FURSE. Yes. I think that the fact that this legislation sets up these councils, these centers, that enables States and local communities to work with the private industry. I know in my State, we have a very active economic development, State economic development, which does have some export expertise.

Yes, they would work very closely together.

Mr. WYNN. Thank you very much.

Thank you, Mr. Chairman.

Mr. GEJDENSON. Any other questions?

If not, we thank our colleagues for their testimony. We apologize to the next two panels. Part of the ritual around here, as some of you know who testified at various hearings, we go off and vote. We will be back shortly. The committee will stand in recess.

[Recess.]

Mr. GEJDENSON. We are privileged to have with us as our second panel the Honorable Kenneth D. Brody, President and Chairman of the Export-Import Bank of the United States; the Honorable Ruth Harkin, President and Chief Executive Officer of the Overseas Private Investment Corporation; Ms. Nancy Frame, Acting Director of the U.S. Trade and Development Agency; and Mr. Jonathan Sallet, Director of the Office of Policy and Strategic Planning, U.S. Department of Commerce.

We are grateful for your presence here today.

Proceed as you are comfortable. Again, we are happy to have you with us. We will interrogate you, the four of you, at the end of your making your statements.

STATEMENT OF HON. KENNETH D. BRODY, PRESIDENT AND CHAIRMAN OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. BRODY. Thank you, Mr. Chairman. As my testimony is put into the record, I shall not repeat it; and make a few other observations and then be prepared to answer any questions you would care to throw my way.

I would say this whole topic is a complex and difficult one to get one's arms around on the one hand. On the other hand, it is very important and also very clear that we can have a significant impact. I am personally committed to having us have a significant impact.

There are lots of balls in the air right now which have an impact on environmental technology products and the exporting of them. We have TPCC going; we have subgroups focusing on how to promote more exports of environmental protection products; we are making some significant changes at Exim which will impact directly how we service environmental products companies; and there are a number of options under consideration.

My understanding is that you are a significant driver of the TPCC legislation. It is my view that the TPCC has a potential to make an enormous difference on this very topic in some general ways; because if the TPCC is successful, it will set itself up in a way the government has not been set up before, to assist the private sector in the promotion and funding of exports in general that will go right to environmental products companies.

This includes things such as setting up the one-stop shops; having the Small Business Administration play a key role in helping the new exporter. As we have a lot of small companies in the environmental industry, they will have a more focused operation to deal with.

And we are trying to get to the table a decision within the administration on the issue of tied aid which can have great importance to projects, many of which include environmental technology products. Specifically the environmental products subgroup of the TPCC is coming up with a specific strategy for increasing exports of environmental goods and services. I would expect Commerce to comment on that.

Exim is doing a number of specific things, but perhaps the things we are doing in general will have more of an impact. With small and medium-sized business, we are about to change the focus of

our program from being a retailer to being a wholesaler; that is, going through agents, primarily financial institutions which will greatly expand our reach by providing preexport working capital to the small and medium sized business. That would affect availability of capital to a number of environmental technology companies. We are redesigning the whole program so that it is very user friendly, and will be used more by financial institutions than it has been in the past.

Second, we are reexamining how our positions on Project Finance were not positioned for the future. The future in Project Finance will be very important for the United States getting more than its fair share of projects which would be major users of environmental technology products.

And we will have, I think, a pretty new face to put on our role there in a relatively short period of time.

Specifically, we are spending a good bit of time on interagency groups. There are a whole slew of them. You know them. I will not go through the list.

We have been spending time with outreach doing conferences and trade shows from Hungary to China, from Cleveland to East Hartford. We are having consultations with the private sector. We will step up those consultations because I think we could use some more guidance from the private sector as to how we can exactly help them; and over the next few months, that will be stepped up at Exim. We are considering a number of specific options for environmental products companies to favor them just a little bit more than the rest of the world.

These include specific marketing to make awareness a lot higher among environmental products companies, particularly the small and medium-sized ones; setting up perhaps a green credit guarantee facility; setting up 15 percent local cost; and there are a number of other specific technical options that are underway, specifically for the environmental products-type companies.

After the rest of the speakers have spoken, I will be glad to answer questions.

[The prepared statement of Mr. Brody appears in the appendix.]

Mr. GEJDENSON. Thank you very much.

The next witness is Ruth Harkin, President, Chief Executive Officer of OPIC.

STATEMENT OF HON. RUTH HARKIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, OVERSEAS PRIVATE INVESTMENT CORPORATION

Ms. HARKIN. Thank you very much for inviting me to testify before you today. I would like to make a few brief remarks and then, as you suggest, have my entire statement submitted for the record.

This is the first time I am appearing before any congressional committee or subcommittee as president of the Overseas Private Investment Corporation. For that reason, I am particularly pleased that it is before this subcommittee and especially on the important subject of increasing U.S. environmental exports.

I want to thank you, Mr. Chairman, and Mr. Roth, for your strong past support of OPIC. Your work in this year's Foreign Assistance Authorization bill will give OPIC the ability to adequately

support U.S. private investment projects in the Newly Independent States of the former Soviet Union.

Protection of the environment is a top priority for both OPIC and this administration. To reflect this, I have established a three-point program for OPIC on the environment within our agency.

First, OPIC must more aggressively identify and seek environmental business. This means more missions, more outreach and better targeting of our resources.

Second, we intend to boost investments of environmental projects through the Environmental Growth Fund.

Third, we intend to do a better job in screening and monitoring foreign environmental problems.

In undertaking this program, we want to build on and expand on the substantive environmental criteria this subcommittee introduced into OPIC's authorization in 1985.

Let me describe this three-point program in a little bit more detail.

The first part of our environmental focus is to aggressively identify new investment opportunities for U.S. environmental companies in the emerging markets of the developing world, Eastern Europe and the former Soviet Union. To do this we are carefully targeting markets looking for countries where U.S. "envirotech" companies have a competitive advantage based on their technology and where OPIC can make a difference.

To maximize our resources and avoid duplication, we are working closely with other government agencies. For instance, with support from AID, OPIC is planning an environmental mission to the key Latin American markets of Chile, Argentina and southern Brazil scheduled for late fall. This mission will permit OPIC to promote new environmental investment opportunities in a growing market.

Also, OPIC is an active member of the Trade Promotion Coordinating Committee and, like Mr. Brody, we have very high hopes for that group. We are very happy to be a part of it.

OPIC is developing markets for U.S. environmental technology in Asia with the U.S. Asian Environmental Partnership. And with the Commerce Department and the Trade and Development Agency, OPIC participated in environmental business missions to the Czech and Slovak Republics, Hungary, Indonesia and Malaysia.

We are supporting State export programs as well. For example, we are working with the California Energy Commission to develop joint venture opportunities in the environmental and renewable energy sectors in India. India has recently liberalized its economy and opened its power sector to foreign direct investment.

The second part of our three-part plan is to increase U.S. business environmental projects through the OPIC-sponsored Environmental Investment Fund. As you may recall, Mr. Chairman, a few years ago OPIC developed a proposal for an Environmental Investment Fund that would provide a source of private equity capital for investments in environmentally beneficial projects worldwide.

Indeed, in July 1990, OPIC's Board of Directors approved the fund; but the placement agency at that time was unable to raise the necessary capital largely because of the economic conditions here. So the fund remained nothing more than a good idea.

When I arrived at OPIC, I directed the staff to make every possible effort to capitalize the Environmental Investment Fund as soon as possible. I am pleased to report that OPIC is currently working with a new manager and, hopefully, the fund should enter the capital markets this year.

The third part of our environmental program is to do an even better job of screening and monitoring projects to make sure they meet our environmental standards. As you know, OPIC's standards require that our projects do not adversely affect the environment, worker safety or public health. If a project does not meet the applicable environmental criteria, finance and insurance will be denied unless steps can be taken to mitigate against the adverse effects.

I have ordered a review of our environmental monitoring and expect to take steps to strengthen the review where it might be appropriate. Some of the environmental issues that we take into consideration when we are going through our review process are, of course, the industrial-related issues regarding hazardous and toxic materials, air pollution, water pollution, solid waste, pesticides. We also look at the natural resource issues, what are we close to in our project in terms of tropical forests, endangered species, wild lands, parks, et cetera. Then, of course, third, occupational health and safety for the workers, exposure to hazardous chemicals, safe work practices, emergency response, and worker training.

Those are some of the things that we take into consideration. In evaluating the environmental acceptability of a project, OPIC uses the more stringent standards of World Bank or of a host country. In cases where the World Bank guidelines are nonexistent, or are inadequate in the sense they are outdated, OPIC uses U.S.-EPA standards.

But in improving this system even more, and I think it is pretty good at the present time, I want to build on OPIC's excellent environmental record. From fiscal year 1989 through fiscal year 1992, OPIC conducted environmental assessments for 274 projects and the corporation formally declined assistance to 11 of these projects exclusively on environmental grounds. OPIC also informally discouraged many other environmentally questionable projects at the preapplication stage based on the sensitivity and awareness of our staff to environmental criteria.

As the world becomes more sensitized to environmental concerns, markets for the U.S. environmental industry are growing. Currently industrialized countries comprise the largest market for environmental technologies. While that will continue, markets of the developing world and the countries in transition to market economies will grow at an even faster rate.

The Organization for Economic Cooperation and Development estimates that global production of pollution abatement and environmental production goods and services at $200 billion growing to a $300 billion market by the turn of the century. An industry analyst estimates that more than 300,000 new jobs could be created in the United States through enhanced exports of environmental technology. Obviously, this is one of the fastest growing U.S. industries over the next 20 years.

Other nations recognize this trend, as has been mentioned earlier, and are providing technical and financial support for their en-

vironmental industries. To compete overseas, U.S. companies need an overseas presence. As trade experts have confirmed, exports can be the income for sales in foreign markets.

The subcommittee also requested that I address other specific issues in my testimony. One of these is how does OPIC contribute to the promotion of U.S. environmental technology.

OPIC contributes both directly and indirectly to the export of U.S. environmental technology. During the past several years, OPIC has assisted, with political risk insurance or financing, approximately 50 projects involving the export of U.S. environmental goods and services. These total $618 million in U.S. exports, generating over 2,300 U.S. jobs.

Here are two examples. OPIC is assisting a project by the Environmental Systems Corporation of Knoxville, Tennessee, to provide environmental engineering services, monitoring and equipment to industries located in Slovakia, the Czech Republic, Poland, Hungary, and Ukraine. Using U.S. technology, Environmental Systems will monitor air and water quality and stack emissions and provide engineering services for pollution control.

Over the first 5 years of operation, this effort should generate $3 million in U.S. exports.

Then we also have Harbert International in which OPIC and AID are working together to support a sewage construction project in Egypt. That is mentioned in more detail in my testimony.

Let me also give you an example of how an OPIC sponsored nonenvironmental project creates jobs and growth here at home. In Venezuela, OPIC insured a portion of GTE's equity investment in Ven World Telecom CA to help privatize, expand, and modernize the Venezuela telephone system. In addition to upgrading the country's telecommunications infrastructure, the project will create new jobs within the Venezuela economy. But more importantly, jobs will be created here at home. The company projects $740 million in exports supporting over 2,800 American jobs.

Overall, in fiscal year 1992, OPIC efforts generated $3.1 billion in exports supporting over 11,780 American jobs.

OPIC requires U.S. companies operating in developing countries and emerging economies to apply international standards of environmental management. To meet these requirements, it is often most cost-effective for companies to use the same U.S. technology they use in their own domestic operations. OPIC also creates opportunities for U.S. environmental equipment suppliers, as well as consulting firms in countries where host government regulation has traditionally been weak or even nonexistent.

In conclusion, Mr. Chairman, OPIC is committed to increasing exports of environmental technology and improvement over the global environment. We plan to do more by finding more business opportunities, by providing the tools to make the opportunities happen and also by closely reviewing and monitoring our projects.

I look forward to working in the future with you, Mr. Chairman, Mr. Roth, and other members of the subcommittee and staff on this and other matters of important deep mutual interest. I will be happy to answer questions later.

[The prepared statement of Ms. Harkin appears in the appendix.]

Mr. GEJDENSON. Nancy Frame, Acting Director, U.S. Trade and Development Agency.

STATEMENT OF NANCY FRAME, ACTING DIRECTOR, U.S. TRADE AND DEVELOPMENT AGENCY

Ms. FRAME. Thank you, Mr. Chairman, Mr. Roth, other members of the subcommittee. I, too, am very pleased to be here and to have this opportunity to discuss TDA's role in promoting U.S. exports of environmental technology.

As you are well aware, Mr. Chairman, this whole concern for the environment in the developing world is a fairly recent phenomenon, but it is a growing one. As you might also well imagine, the number of projects in the environmental sector that TDA is involved in has grown rapidly in the last few years.

We actually funded our first feasibility study on an environmental project almost 10 years ago, in 1984. Since that time, we have spent over $21 million on feasibility studies related to environmental projects; but I must say, most of these studies have occurred in the last 3 or 4 years.

If you look at the last 3 fiscal years, you will find that TDA has obligated $14.7 million on feasibility studies, assessing 40 different environmental projects throughout the developing world.

What this means is that environmental projects represented about 13 percent of the total projects we funded in this period of time and about 15 percent of TDA's total program budget.

Now this may not seem like a very large percentage, but, in fact, our work on the environment is really much larger than these statistics would suggest. That is because, as you know, we fund studies on big capital infrastructure projects. For example, we have funded study on flue gas desulferization relating to an energy project in Bangkok, or pollution control relating to an industrial project in India. We categorize those projects as energy and industrial projects, not environmental; but, in fact, in implementing those projects, environmental technology is going to be used.

In addition, because we are working on big infrastructure projects, even if they are not environmental projects per se, almost all of them require an environmental impact analysis: that is, what impact will this project have on the environment?

Oftentimes, in the implementation of the project, an environmental technology solution is required. So the bottom line is that all of the projects in which TDA has been involved over the last few years will require the purchase of millions of dollars of environmental technology as they are implemented.

In my written testimony, I discuss in quite a bit of detail the kinds of activities we are doing in the environment in the various regions. Given the short time we have today, I would like to focus on just one project.

That is a project which we feel has been successful in helping small and medium-sized environmental firms to gain access to the huge markets that exist in South Korea and Taiwan, two advanced developing countries. TDA provided a multiyear grant of $1 million to the International Business Development Center which is a nonprofit, consulting arm of the Kellogg School of Business at Northwestern University.

The purpose of the grant was to enable Northwestern to provide intensive support to small- and middle-sized companies that sell environmental technology. Northwestern screened buyers from Taiwan and Korea, found out their needs, and then identified the companies throughout the United States that could provide the goods to meet the Korean or Taiwanese needs. Northwestern then provided support and follow up to make sure the sales occurred.

Over 1,200 small U.S. companies have participated in this program. In almost every single case, the business would not have resulted were it not for the program; and the benefits that have accrued to these firms, and continue to accrue as they obtain follow-on sales, have really been significant.

So far this program has resulted in $190 million worth of sales contracts for firms, almost all of which have been in the environmental sector; and there are another $400 million in pending sales; so we feel this has been an excellent investment of our million dollars.

Finally, I might just mention one anecdote, if I may. I think it really tells the story of how TDA helps U.S. exporters of environmental technology.

On Friday, and I think it was just a coincidence, we received a letter from an environmental firm, Post, Buckley, Schuh & Jernigan, a firm located in Miami, Florida. Post, Buckley reports that over the last 4 years they have evolved from a firm doing environmental work only in the United States to a firm working on a number of international projects in Central and Eastern Europe. They claim that they got their start because in 1990, they did a feasibility study that was TDA funded.

It was a $700,000 feasibility study on solid and hazardous waste in Poland. That study gave them a position in Poland and they have been able to expand activities to Hungary, the Czech Republic, even Russia. They contend their revenues for international work have grown from zero to $3.5 million.

I would like to read a quote, if I may, from their letter. "All of the advances are a direct result of the U.S. TDA support of feasibility projects such as those in Poland allowing firms like ours to expand in the European market and compete with firms from other countries. Without TDA support, it is difficult if not impossible to compete with the feasibility money offered to Polish cities by countries such as Denmark, Sweden and Germany."

The other nice thing about what was reported in this letter is that the project for which they did the feasibility study is, in fact, moving forward. They have the financing in place. It will require a $25 million investment. Of that amount, $12 to $14 million will come from the United States in the form of environmental technology.

Of course, our success in promoting exports really depends upon working with the other U.S. Government agencies, some of which are represented here today. The TPCC has been mentioned. We are very much a part of the exercise to try to figure out how the government can be more helpful to exporters.

We are also on the Interagency Working Group on Environmental Technology. We are a very active member of that group. We have always worked closely with our sister agencies. Because, we

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are such a small agency, we really depend upon the resources of other government agencies, starting with the United States and FCS in the Commerce Department, helping us identify our projects, helping us implement our program overseas.

Financing is vital to the studies we do. We want the studies to develop into real projects. As a result, we maintain very close links with Eximbank, a major financier of many of our projects, as well as OPIC, if the project is investment related. That has been our way of doing business all along.

In conclusion, Mr. Chairman I want you to know that TDA is committed to working with the U.S. environmental business community in helping U.S. companies to expand their markets in these new and more difficult markets in the developing and middle income countries. We believe our assistance coupled with the efforts of the U.S. Government agencies represented here today will make a difference in helping U.S. companies export environmental technology.

This concludes my remarks. I would be very happy to answer questions.

I once again thank you for allowing us to testify and for the strong support that this subcommittee has provided TDA over the years.

Thank you very much.

[The prepared statement of Ms. Frame appears in the appendix.]

Mr. GEJDENSON. Thank you very much.

Our final witness is Jonathan Sallet, Director, Office of Policy and Strategic Planning, U.S. Department of Commerce.

We will continue to about 2:40. Then we have to recess for a vote and return.

As the witnesses know, we may be gone for about 10 or 12 minutes because there are actually two votes. We will get the tail end of one and beginning of the next one.

STATEMENT OF JONATHAN SALLET, DIRECTOR, OFFICE OF POLICY AND STRATEGIC PLANNING, U.S. DEPARTMENT OF COMMERCE

Mr. SALLET. Thank you, Mr. Chairman.

Let me begin by noting in your opening remarks you said today's and tomorrow's hearings would focus on particular aspects of export promotion: today, environmental technologies; tomorrow, diversification. Tomorrow, of course, among your witnesses will be my boss, the Secretary of Commerce, Ron Brown, who will come to talk about the aspects of dealing with diversification and defense conversion.

We appreciate the opportunity to appear. We think it is exactly the right focus to think about this from a number of different perspectives. I, of course, appreciate the rare opportunity to speak to you before my boss does.

Mr. GEJDENSON. Any messages you want us to give him?

Mr. SALLET. This is the message I would leave with you today which I think is the message of this panel:

What we have is a series of executive branch agencies that are working together; all of us at this panel this morning—this afternoon and others that are not represented today who are working

together for the common goal of economic growth, jobs, a rising standard of living in America. We are doing that in a number of ways, but one of the ways we are doing it—as these hearings demonstrate—is to break down false barriers and separations between different issues.

I think the topic of exports of environmental technologies is a wonderful example of that. It combines trade issues, technology policy, environmental goals, three areas that are sometimes thought to be quite different but as this hearing demonstrates, and as the work that is being done along this topic illustrates, the three, trade, technology, environment, are all attributes of the same goal. Paths to the same goal, if I might.

I think the Department of Commerce's own organization reflects that. Consider the way we work. We have NIST, the National Institute of Standards and Technology, a long time leader in civilian technology, working with the private sector for purposes of increasing civilian technology.

NIST contributes to this program through its grant programs for research and development; through working with manufacturers on environmental and energy-related concerns; through the direct technology transfers from its laboratories, to help them from, say, the left-hand side of the page, research and development, technological commercialization. Closer to the market, perhaps, comes NOAA, our environmental arm which works in terms of research and analysis to let people understand how environmental monitoring can work.

For example, to work overseas in different countries that are trying to put into place environmental regimes that will help those countries, those countries reach environmental goals and may, in fact, offer markets for U.S. goods.

Right in the marketplace our International Trade Administration, working through its U.S. and Foreign Commercial Service and other parts of that agency responsible for the day-to-day work of export promotion, putting exporters in touch with foreign markets, explaining the nature, the standards of foreign markets. Those three areas working together, tech, trade and environment, coming together for the common goal of creating more jobs, safer living and working environment, and, of course, toward the goal of sustainable development.

More broadly, of course, this is what we are doing across the government, in part, in large part, through the TPCC which Secretary Brown is chairing. We are in the process of working on a governmentwide trade promotion strategy which will be released at the end of September, and a specific outlook on environmental technologies and how we might do better to exploit the kinds of market opportunities, Mr. Chairman, that you noted in your opening statement.

It is too early to identify precisely how we will do that; but I think I can start off quickly to explain the basic goals.

Mr. GEJDENSON. Let me cut you off there. We have about 5 minutes to dash over and vote. I apologize again to the panel.

We will stand in recess until we complete the vote.

[Recess.]

Mr. GEJDENSON. Mr. Sallet, you were about to give us your four-point program for success here.

Mr. SALLET. It expanded to six points during the recess. I apologize for that.

What are the principles that we have to guide us?

First, we need to improve the way government itself operates. That is a key goal of the TPCC, with which you, more than probably anybody else, are familiar.

Secretary Brown will be testifying tomorrow and I am sure will have more to say about the work of the TPCC in establishing new initiatives to make government efforts more efficient and accessible.

How government operates also focuses on what government does. As we know, many of the major opportunities for U.S. producers of environmental technologies lie in government procurement decisions to be made overseas. Secretary Brown has determined to dramatically increase the involvement of high level U.S. Government officials in serving as advocates for U.S. companies seeking those kinds of contracts.

Second, after improving our own work, we must make sure we always listen to the private sector. In this respect, in these kinds of efforts, Mr. Chairman, the government is, after all, value added.

We need the private sector to discuss with us where the additional value can best be placed. For example, we will be holding listening meetings in late August or September on the issue of environmental technologies around the country to be able to listen to businesses, citizens, participants in the process about how government can best engage in efforts and make searches from their perspective.

Third, from an operational viewpoint, we need to focus on getting to domestic companies information that will be useful to them, information on foreign market opportunities, foreign standards, the availability of financing and the existence of governmental resources among others; but we have to remember they are our customers and we need to get them information in an efficient and user-friendly fashion.

Fourth, at the same time that we are working on the domestic markets, we need to focus on the right kind and strength of our resources in foreign countries. We know for a fact, for example, that the Japanese have many more foreign commercial officers in key countries around the globe than we do, making it more difficult for U.S. firms to penetrate those markets.

This issue goes beyond just the environmental area, of course, to the whole question of the kinds of resources we deploy overseas to the kind of work, from my department's perspective, the U.S. and Foreign Commercial Service can do in helping American exporters abroad.

Fifth, we need to review financing issues generally. Ken Brody, of course, already testified this afternoon. As you know, in addition to his other responsibilities, he has been serving as Secretary Brown's Deputy in the TPCC process and is driving a series of recommendations to reform export finance in order to level the playing field for U.S. exports generally.

Sixth, finally, we need to think about relationship building. The United States is a leader in environmental policy and, in particular, this administration is a leader in breaking through the false dichotomy between environmental goals and economic growth.

We need on a broad basis to be conveying the message around the world that the United States wants to assist in environmental goals for the next decade, not just from a trade point of view, not just to get sales for American firms, but more broadly to assist us in global sustainable development.

To put it simply, Mr. Chairman, this is a win-win for the United States. Environmental exports will not only create jobs at home and help with environmental clean-up and prevention, but it will provide the opportunity for us to fundamentally alter the adversarial relationship that sometimes exists between the business and environmental communities. This is an opportunity to demonstrate to business people that environmental goals create jobs.

And it is an opportunity for us to demonstrate to environmental communities that business people can and will play a critical role in environmental efforts.

All of this, Mr. Chairman, under the umbrella created by your work in passing the TPCC. This is the first year the statutory provisions will come to fruition. Your leadership has given the Department of Commerce and the rest of the government the opportunity to address these issues in a comprehensive fashion.

Mr. Chairman, we intend to take full advantage of that opportunity.

Thank you.

Mr. GEJDENSON. Thank all of you for your testimony and your patience with the interruptions.

Let me first start with Exim, Mr. Brody.

It seems to me there is going to be a continuous tension between economic development in some areas and the environment, even though there is obviously a positive relationship as well. It seems to me that one of the things you can do that would be helpful is using the environmental outreach that you describe is to shift resources to things that are both economically helpful and environmentally helpful; and so I guess my question is, in the first cut, in the short time you have had in place, what is your assessment of your resources, even with the new leveraging of dollars using the guarantee system rather than direct loans?

At the end of the day, are you a competitive player internationally across-the-board or do you not have the resources necessary to do what you could be doing optimally? And tell my friend, Leon Panetta, I forced to you say this.

Mr. BRODY. I think the fair way to answer that question is that there is a simple fact on the table right now. We had a request for $757 million, and we are only given $700 out of the House. We would like that other $57 million back. We feel very strongly about that. We want to have a very good go at making that money go a lot farther than it ever has. We think we have a good chance to do that.

If we are unsuccessful in making it go as far as it needs, then we will be strong advocates for more; but I think the first order of the day is to get us back what we had on the plate.

Mr. GEJDENSON. So if Representative Kennedy from Massachusetts were to get his additional $500 million to Exim to promote environmental exports, you wouldn't need that money?

Mr. BRODY. That is another topic.

Without going into great explanation of the credit reform system, unless it is requested, in 1992, which was the start of credit reform, we had a subsidy budget and no caps. In 1993, we have a subsidy budget and caps. In 1994, out of the House, we have no caps and we have a subsidy budget that is $57 million too low.

So long as we keep with no caps and if we continue to have the ability to make the subsidy work harder, there is no number to add the $500 million to. So in that sense, it would not be needed and it would not be relevant to the system.

Mr. GEJDENSON. And one of our witnesses who is coming up, Mr. Mizroch, argues it is difficult to obtain commercial financing for overseas environmental product because oftentimes there is not the cash flow generated by the activity that you get in normal financing; so, for instance if I am building a coal-fired generating facility and we are not putting the scrubbers in, you still end up with the payments for the electricity generally which then shows bankers they can get the money to get it back.

If I go in and put in scrubbers in a dozen or so facilities, normal standard banking assessments of what this does as far as new revenue is it makes the plant less productive in terms of final energy output. Is that a problem?

Mr. BRODY. The law requires we have reasonable assurance of repayment. In projects which are not profitable projects, but which have solvent guarantees and the solvent guarantee is good enough to give us reasonable assurance of repayment, it is not a problem.

If a project is to be financed that cannot pay back the debt, then we have indeed a strong problem.

Mr. GEJDENSON. Let me go to Ms. Harkin for a second.

Should we be looking at the general way that the—that your agency's loans are dealt with and your guarantees are dealt with?

Are we looking at that at this stage? Let me go on.

If you have two projects and one is environmental and one is not environmental, how does your agency tend to break those out so that we put the emphasis on the environmental; or do you try to receive them both at this point?

Ms. HARKIN. Well, the immediate past history of our agency has been to consider all applications for assistance as they came in. The reason why we are setting up the Environmental Growth Fund, as I mentioned earlier, is because we want to highlight that particular sector and not only spend more of our resources doing it, but we also want to utilize additional environmental expertise that we may not have.

The selected goal of this particular fund would be to hire a fund manager and, through the fund manager, place capital and specifically attract environmental projects. That will be the only goal of the fund.

Of course, that is not to say we will not be doing other environmental projects that might be outside that particular fund; but certainly, we are doing a sea change in the sense that we are specifically looking for environmental projects.

Mr. GEJDENSON. Let me ask Mr. Sallet one question. This is something that I have had some frustration with for sometime. Even after almost 14 years of working on this issue, I am sometimes not able to get a handle on it.

Again, Mr. Mizroch asserts that they need more and better information from the Commerce Department regarding market opportunities.

Are we going to be able to really get information? It is particularly critical, I think, again, across-the-board here to the small and medium-sized manufacturer. Boeing doesn't need any help from Congress in telling them where Mr. Brody sits, how much money he has, where their markets are, where they can use OPIC and others to guarantee the kind of activities they are looking for TDA to look into developing a program.

But the place where we seem to do the worst, partially because small companies have been inwardly focused, and it is harder for them to get the information, is how do you get that information out? When small companies come to me—and as a result of the chairmanship of this committee, working with people in Congress, I get a great response all the time—I am still not confident when the guy walks in and tells me what he needs, that I can pick up the phone somewhere and say OK, where in the world, one, is there a market for this product?

Two, are American products competitive—for instance, even the EC is starting to develop demands that for state purchases and public purchases that there be local procurement.

Where is my market? Because—especially with small companies—if we spend time sending them off running around the halls of government, they will never get to the export part of it.

Mr. SALLET. Mr. Chairman, I might suggest the question is even broader than you have painted it. Take your example of a small, medium-sized manufacturer. There are a number of concerns that the manufacturer has. It is the obligation of government to make sure the manufacturer gets the information he or she needs as quickly and expeditiously as possible on a number of fronts.

Let me note three. One is, of course, export promotion, foreign markets; you know, information on the markets, what is available, what kind of demand there is. As part of the TPCC process, we are working on a streamlining notion of one-stop shopping so someone seeking access to export information will be able to go to a single place; and through it, access any information in the network.

That is a very important first step.

Mr. GEJDENSON. Are we collecting the information? I am not sure we are collecting that information at this point. When I asked one of the people at the Commerce Department long before your tenure so I cannot hold you personally responsible—but I will in 4 or 5 months——

Mr. SALLET. I think, Mr. Chairman, that is when the Secretary would be testifying.

Mr. GEJDENSON [continuing]. Is that what happens when I call up and say what can—what does Mexico import and what items are we competitive in, I get a lot of, "you know," "kind of," "well"—they don't tell us what they import. It seems to me maybe what we ought to do is refocus the resources of the various agencies in-

volved, to focus on trying to figure out what they do import, and of what they import, in what are we competitive?

If you can throw that list out on the street corner, I bet you the small business guys will scramble to that street corner. You won't have to get it to them. I am not sure you can do that for me right now.

Mr. SALLET. Let me talk about what we are doing now and what we hope to do, both parts of it. Right now for example we have The National Trade Data Bank which provides by electronic means——

Mr. GEJDENSON. What we are presently selling?

Mr. SALLET [continuing]. What we are presently selling and the nature of market opportunities as we understand them in different countries abroad.

We need to expand the access to that kind of electronic information so that somebody out in the field doesn't have to go through four or five government bureaucrats to get at it, but can get it through, for example, an electronic bulletin board to pull up the data on particular markets.

Mr. GEJDENSON. Absolutely. But that information—the problem with that information—that gives me a list of what American companies are already selling to Mexico and what you are saying is, "Great, go compete with American companies and what they are selling to Mexico." What I would like to find out is what Mexico is importing from Germany and—I don't care where it is coming from. Anywhere else in the world. Then figure out because of my location, can I beat those other companies? Are we going to do that?

Mr. SALLET. Yes.

Mr. GEJDENSON. When?

Mr. SALLET. As soon as we can. The TPCC report, the process you established in law, in order to make sure the agencies work together is going to come in with a report on how we intend to do that and to establish how quickly we intend to do that.

If I might, Mr. Chairman, there are two other aspects that really make the issue bigger than even what we have been discussing. We have a program that is very important to the President to make sure that technology gets out to small and medium-sized manufacturers. It is the same customer base.

It may be that with new technologies available through manufacturing technology centers, the kind of manufacturer you and I have been discussing will be able to exploit market opportunities that previously it had not even known about or had thought it could take advantage of.

So our effort to have a national network of manufacturing extension centers has to be very closely tied into what we have been discussing to make sure that both technology gets out and information.

Then the third part, of particular importance, I think to the topic that you will be discussing tomorrow, is, of course, information on export controls. To make sure the information is not just on foreign markets, but, where applicable, information on how to get through our own export licensing process so the companies can take advantage of foreign market opportunities. All of these need to work together.

Mr. GEJDENSON. We have a solution for the export control issues we will give you later in September. It shouldn't be a problem.

Let me go back to Mr. Brody for a second and then yield to my colleagues.

If an environmental company doesn't qualify for a Exim program because it is not guaranteed by the full faith and credit of the government, so, for instance, if it is a project that either goes to a private company or to a nongovernment agency, can it then go to other sources for financing? Is TPCC addressing that? Am I making it too big a problem?

Mr. BRODY. There are a couple of different possibilities. The trick is that somebody is making a loan and it has to get repaid. Once you get out of that notion, you are into the notion of aid. That is a whole other big debate, I think. If you want to lead the question that far, I would be glad——

Mr. GEJDENSON. No. I think you are right. Basically what you are saying is all of what you do here has to be based on real world economic conditions and then you try to make the margins of that work by the government role, the guarantees, the examining of the possibility?

Mr. BRODY. Just add the point to it: our job is to create a level playing field by meeting foreign financing subsidies. One, which we do; and, two, is to provide financing where the private sector isn't, with the caveat that we have to be able to get repaid.

Mr. GEJDENSON. Thank you. The gentleman from California?

Mr. ROHRABACHER. Thank you, Mr. Chairman.

I will just throw these questions out to the panel as a whole and at least ask you to feel free to comment. First, I would like to congratulating you on detailing what happened during the Republican years. I will be watching what happens during the Democratic years.

I want to know about Mexico. If we are—when they talk about environmental issues and environmental exports, one of the big issues we are facing of course is the free trade treaty with Mexico.

First of all, let me ask you, is there a market for environmental technology made in the United States to be sold in Mexico?

Mr. SALLET. Yes, sir, there certainly is. I can offer, if you would like, some anecdotal evidence of that. I am not sure—I don't have specific numbers with me. I went up a couple of months ago right after the President's Earth Day speech and met with a group, the Environmental Business Council of Massachusetts.

I went up to talk about the issues we have been talking about today. I came to a question and answer session. Almost the only thing they wanted to discuss with me—these were business people around Boston—was Mexico and market potential in Mexico. People—from a place fairly geographically distant, from those markets who saw tremendous opportunities in the environmental field in Mexico and who were rushing to take advantage of it and who were standing up person after person saying what can we do to make clear the importance of NAFTA, the link between these business opportunities and environmental goals; and the kinds of success that we can have there.

Now, as you know, assuming the successful negotiation of the side agreements when we are able to come in and urge NAFTA's

passage by the Congress, we believe that this kind of evidence will help show the real opportunities for job creation in the United States as a result of environmental opportunities in Mexico.

Mr. ROHRABACHER. What are some of those examples of the type of things that we could make money providing technology to make their environment better?

Ms. FRAME. I might add a couple of examples from the TDA experience. Our program in Mexico is not of long duration. We have only been there about 3 years. Almost everything we have done so far has been related to the environment: air pollution, vehicle pollution, water projects, cleaning up Lago Guadalupe. It is early in the process.

Most of these studies are still underway or have just been completed. Already we are seeing successes in terms of U.S. companies selling environmental technology.

I mentioned a couple of them in my written testimony. One was a clean-up project related to a steel plant. As a result of the study, the company has bought $29 million worth of U.S. environmental equipment and technology to clean up the steel plant.

Another example, a small—actually it is a middle-sized company, Radian Corporation, had not been working overseas, certainly not in the Mexican market. They worked on a air pollution study funded by TDA in Mexico City. As a result of that work, they received a number of follow-on environmental engineering contracts. They say that TDA really helped them get into that market.

I think there are opportunities there. We are just beginning to see them.

Mr. ROHRABACHER. Anyone else?

The economy in Mexico has been somewhat depressed during my conscious life. It is just right now for the first time that I see some real signs that the reforms President Salinas has instituted are actually bringing about a very remarkable level of growth. If the economy grows in Mexico, do we expect that there will be more of an investment in environmental technology?

Mr. SALLET. I think it is fair to say that we do. One of my colleagues from the Department of Commerce testified earlier this year before a different committee of the House that, in 1992, our estimate of the current Mexican market for environmental technologies, equipment and services was just over $1 billion. The United States accounts for about 45 percent of the import market. We believe Mexico represents the largest market for such technologies in Latin America.

Mr. ROHRABACHER. You expect that the 1992 estimate of the market at $1 billion, do you expect if the economy improves, that that will increase; is that correct?

Mr. SALLET. Certainly they have been talking about the need to improve environmental conditions in Mexico, along the border with the United States. So anything that shows an increased commitment to environmental goals is likely to create more investment, more opportunities for U.S. businesses, since, as you know, so much of the market for environmental technologies is demand driven where the demand is created by governmental action, governmental regulations, governmental desires to make sure. Environment is in better shape than it has been.

Mr. ROHRABACHER. Conversely, if the economy of Mexico were to head in the opposite direction, which it was for many years—actually shrinking with policies that were not growth-oriented policies and not, I might add, commerce-oriented policies of the United States, would we expect Mexico would actually be decreasing its investment in environmental technology, which would mean there would be even fewer jobs in the United States?

Mr. SALLET. I am not—this is one of the fortunate times in my life where I can say I am not an economist. So I am not going to try to guess as to what the interplay between future growth rates and investment in this sector is. As I said, environmental activities are born of both social and economic desires. We hope the future of Mexico leads to both an economy that can prosper in league with a growing U.S. economy and the social desires of both countries to reach environmental goals.

Mr. ROHRABACHER. Any other comments from the panel?

I would like to say I think obviously from my questions you can tell I am very much in favor of the free trade treaty with Mexico and believe that—I come from California, Mexico is always going to be our neighbor. It will always be our neighbor whether it is a prosperous neighbor and will have the capital necessary to invest in technologies that we produce that will make the environment better or whether their economy is declining has a lot to do with their relationship with us. I am looking forward to working with all of you and working with our chairman to see we do have a prosperous growing relationship with a prosperous growing partner to our South.

Thank you.

Mr. GEJDENSON. I don't want to hold the panel much longer.

Two quick questions. Mr. Sallet, I would like you to get me Indonesia, Thailand and Malaysia as far as what they are presently importing from around the world and what they are importing from the United States. You don't have to do it immediately here.

Mr. SALLET. I may be able to. I can certainly note these are growing markets of great importance.

Mr. GEJDENSON. Without being an economist, you can figure that out, as I can.

One of the complaints we have is the CIMS system is still not working. By the time the information gets in there, it is stale. We are losing, I think, significant opportunities. Again, at this point, you can look back and say we just got here. It is not our fault. Six months from now you are not going to be able to do that.

Let's see what you have now. Let's hope it is even better in the future.

Let me ask one last question to Ms. Harkin.

I guess what I was trying to get at before, you have $1.8 billion stashed away in profit that Leon won't let you get; is that it? Is that about right?

Ms. HARKIN. Yes.

Mr. GEJDENSON. Yes.

You know, the previous administration, I think to its credit, made a good faith effort to try to develop this Environmental Capital Fund. Did they leave you enough money to do it? Did they raise enough to do it in the private sector capital fund?

Ms. HARKIN. Yes.

Mr. GEJDENSON. The guy behind you is saying no.

Ms. HARKIN. No. We feel good about our ability to start the fund and we think——

Mr. GEJDENSON. Is there any money there now?

Ms. HARKIN. Yes. There is money earmarked for the fund.

Mr. GEJDENSON. From the private sector? Have they committed anything?

Ms. HARKIN. No. Here is where we are in the process. It has yet to come before our Investment Committee internally. That is going to be before the end of this year.

Mr. GEJDENSON. I guess what I suggest to our friend, Leon, is maybe he ought to let you access some of the $1.8 billion in profit you made. If we are going to do what the President said, and I think he is committed to make government serve its customers, here is an agency that served its customers, made a profit for the taxpayers. I think it will do even better under your leadership. We ought to use those resources to reach out and do more things.

Ms. HARKIN. If you do that, you will be the most popular person over at OPIC.

Mr. GEJDENSON. I will talk to Leon again.

We thank all of you. We hope you stay in contact with us, not in this formal setting only, but if you think of something, some way we can do things better, pick up the phone.

Thank you very much.

Ms. HARKIN. Thank you.

Mr. GEJDENSON. Our final panel is an old friend from Connecticut, David Driver, Executive Director of Connecticut Innovations Incorporated. That is an example of how we at the Federal Government ought to do things to help the private sector along; Mr. John Mizroch, Interim Executive Director, U.S. Environmental Technology Export Council.

Gentlemen, please proceed as you are most comfortable. Your statements will be made part of the record. Please proceed at your leisure.

STATEMENT OF DAVID DRIVER, EXECUTIVE DIRECTOR, CONNECTICUT INNOVATIONS, INCORPORATED

Mr. DRIVER. Again, in order to make the afternoon not so long, I will dispense with reading the testimony and have it in the record. I will make points that are in that testimony that have I believe particular implications not only for the State of Connecticut as a manufacturing State, but the nation as a whole.

I would like to mention that I am president of a small government corporation in Connecticut. Connecticut Innovations is the State's technology agency and has been involved, is one of the first government-funded venture capital agencies. As such we deal primarily with the research agenda and primarily with the entrepreneurial company.

We believe that the rich technology infrastructure, skill infrastructure, and manufacturing traditions that a defense State like Connecticut has had for so many years is ripe for producing the new kinds of technologies in environmental and other areas that are going to be particularly important and has significant ramifica-

tions for the downsizing of the military economy because the military economy was built on companies who utilized significant state-of-the-art research and skills to produce weapons that are in a sense now being used in terms of diversification efforts and conversion efforts.

Of critical note is that—and I'd like to go back to some of the testimony you heard earlier. The key to this economy, being able to harness the power of environmental technologies as America's way to solve environmental problems in much the way it solved manufacturing problems for so many years, is going to be the small and mid-sized business. We hear so much talk about how much small and mid-sized business creates jobs, et cetera. The true innovation occurs within the true small business sector and as such will be creating the technologies that will be important for the future.

Environmental technologies, much like the medical technologies, are those kinds of technologies that have both the public good as well as an economic profit possibility. One thing that is extremely important is this access to information by the small and mid-sized business sector. Much like the Commerce Department put together a technology clearinghouse of what technology programs are available, there needs to be—which I hope the TPCC will accomplish this kind of clearinghouse effort for small businesses to have access to what are the markets, what are the technologies we can compete in, how can we even begin. It will translate into the way I believe the U.S. Commerce Department utilizes its district offices in the outreach with the state departments of economic development and their trade offices.

The other thing is the access to capital for the small companies. I cannot tell you how many times we have dealt with entrepreneurial companies as they are developing whether infrared inspection of stacks to freon-free air conditioners for the automobile industry to environmental monitors that the place they find most readily available to provide them capital are foreign industries who come in and look over their shoulder at the new technologies that are developing and basically say since you cannot find the money from your conventional sources, we would be glad to enter into some kind of strategic license or marketing agreement and provide you plenty of capital in order for you to produce this. We should not let the environmental technologies of the U.S. prowess turn to what the VCR and other technologies turned into as they got into overseas hands for large-scale manufacturing.

In addition, Connecticut is looking upon the environmental technologies as a way to diversify its economy, not just its defense economy, but its overall economy. As one of the critical technology areas, it has been learned very sadly through the downsizing that we have seen in our large scale manufacturers that it is the clusters, the pockets of manufacturing and technology development that are going to keep the economy diversified so that you are not so dependent on major large employers.

Connecticut has recently joined with the other New England States. You heard earlier about the Environmental Council in Boston which is becoming a leader in the area in New England. The States are joining an environmental technologies compact to begin to position New England in the environmental technologies area, as

it did in the biotechnology area in the last decade and as it has in the computer era over the years before that.

The critical areas, as much as the large scale companies will need the continued assistance, is the new emerging technologies that are going to fuel the economies of the United States and the world that are produced by small and mid-sized companies who need help in protecting their inventions, who need help in access to capital and who need help in access to the information so they can go after the markets.

Thank you.

Mr. GEJDENSON. Mr. Mizroch.

STATEMENT OF JOHN MIZROCH, INTERIM EXECUTIVE DIRECTOR, U.S. ENVIRONMENTAL TECHNOLOGY EXPORT COUNCIL

Mr. MIZROCH. Thank you for inviting the U.S. Environmental Technology Export Council to testify before the subcommittee to discuss Federal, State and private sector efforts to expand U.S. exports of environmental technology. We appreciate your continued support and the efforts of the members of the subcommittee to assist U.S. exporters through the programs of the agencies under your jurisdiction. With your permission, I will summarize my remarks and ask that the full text of my testimony be entered into the hearing record.

ETEC is a private sector initiative of more than 60 corporations, 8 national laboratories and 3 national trade associations. The purpose of ETEC is to stimulate the exports of American environmental goods and services. We also think the support of U.S. environmental companies in the international arena is key to the rebuilding of the country's industrial base. We think U.S. Government support of this industry's efforts is critical and should be a major theme of the work of the Trade Promotion Coordinating Committee.

My testimony today will refer to two main themes. The first is market barriers. The second is mitigation of risk to U.S. exporters.

By "market barriers" I mean specifically: limited financing, subsidies provided to our foreign competitors, lack of timely and accurate market information, and the lack of an organized trade policy or trade coordination among U.S. Government agencies.

By mitigation of risk, I refer to various governmental and nongovernmental methods used by exporters to attempt to level the playing field or overcome the very real advantages enjoyed by our competitors.

In your invitation letter, the first question you asked was what was the current international market for environmental technology and services? Is it a growing market? Are American companies active players?

The environmental services industry has only recently been considered a distinct industry. There is not yet a set official SIC codes for the environmental industry; but the Commerce Department typically divides the industry into five categories which I listed: air pollution control, water resource management, waste management, pollution prevention, and remediation.

The Delphis Institute, which produces the Green Pages, the directory of U.S. suppliers of environmental products and services for

the Department of Commerce and EPA, has identified just over 1,000 environmental firms that are interested in exporting because typically they are listed there. The Commerce Department has possibly a thousand more inquiries from environmental firms that have expressed an interest in exporting. Many of these firms probably have exportable technologies and services but may lack the capital or information about markets as you earlier suggested.

Our research indicates that the current global international market for environmental exports is nearly $300 billion in 1992 and nearly half of this market is in the United States. Our best estimates of industry growth projections by geographic area in the rest of the world, are addressed in my written statement on page 3. The projection estimates an annual average growth of 8 percent worldwide through 1997.

However, I would add that I have talked to a number of people in the industry and in government. The figures we are getting from our membership and from OEDC are our best estimates. I think we have good estimates but they may not be complete. We believe one of the things that the Federal Government ought to do, is to devote resources to developing more detailed figures to get an accurate handle on what this market is.

One of our ETEC members, as I said, analyzed the revenues generated by environmental sales and suggested dividing them into three categories which were environmental services, equipment, and resources. As I said, I have expanded on this in my written testimony. The bottom line is that this is a big industry and it is getting bigger. We think it is an important industry; and we hope that we are going to begin to get the recognition that we feel we need.

Again, in my written remarks, I refer to the specific sectors of the international marketplace, the regions of the world that hold the greatest promise for American firms. I identified Mexico, Southeast Asia, Eastern Europe, Latin America in general and surprisingly Japan and Germany for some specialized expertise.

These are also the countries I may point out where foreign competitors are most active. Well-financed companies in the EEC are the major competition in the former Soviet Union and Eastern Europe. Japan is also a major competitor. These people come with well-armed, well-stocked war chests, incentives, subsidies, and a lot of international trading experience.

Without a war chest of our own, despite what we believe to be superior technologies, goods and services, we are fighting an uphill battle here. Contrary to popular belief among some, the majority of goods and services to be sold by the industry in the developing world are not necessarily high tech. Short-term needs in these countries are related primarily to solid waste management, water supply, and treatment, and air pollution control. They can be addressed using relatively common technologies in which we have a tremendous amount of expertise.

Regarding your question about the strengths and weaknesses of current U.S. export promotion efforts in the environmental sector, this is a question of great importance to ETEC. As you stated earlier, we believe the Federal agencies should develop and make

available better information to help environmental exporters assess the short and long-range markets for their products and services.

TDA and OPIC assist us in developing our information bases through feasibility studies, orientation visits, training, and other activities. We applaud these efforts, but they are underfunded and therefore not as valuable as they need to be to overcome some of the bigger barriers we face. We believe that each of these agencies has the potential to be of much greater help to exporters. Currently very few members of ETEC avail themselves of the services of these agencies, either through lack of knowledge of the programs or frustration over lack of trade policy coordination.

Some of these programs may require restructuring or other action by Congress or OMB. Some may require rethinking on the part of new agency heads as they seem to be doing now. It is no secret, Mr. Chairman, that there is very little constituent support for this country's foreign assistance budget; yet here are the agencies that can use that budget and help promote strategic goals of our country and promote health and development in host nations and foreign nations and create jobs here in the United States.

I have listed the specific problem areas which we see in these agencies. You have commented on them: inadequate information, and particularly inadequate funding of successful programs; lack of trade policy, trade coordination. These problems combine with those already mentioned create two overriding factors that affect our membership's ability to export:

These two things are lack of good information, and lack of adequate financing for environmental projects. I have discussed some of the information problems we have, and I would like to address briefly the financing aspect.

Financing is a major obstacle. The financing of environmental projects carry its own set of problems. Many produce their own income stream, for example, an energy project, a power plant, an industrial product plant. Many environmental projects companies cannot produce dependable flows of income, particularly if they are proposing to solve an environmental problem or to meet a regulatory requirement, thus jeopardizing the payback of the loan.

It is important that the Congress and trade agencies work closely with commercial and international lending institutions and the private sector to develop creative financing mechanisms to mitigate the risk to U.S. environmental exporting firms and to ensure that these projects are undertaken and completed.

I have addressed in my testimony, in my longer statement, a number of proposals for Members of Congress and the private sector calling for solutions. You yourself, Mr. Chairman, last year led an effort to pass the jobs through Exports Act which established the capital projects fund at AID. The bill was signed into law late last year. We strongly support the principles of this legislation.

We would be interested in knowing how that legislation is—how the implementation is progressing.

We are encouraged by other proposals such as increasing the amount of capital available to Eximbank, creating new municipal funding sources to issue Federal guarantees and a reported administration plan to create a joint agency with the Mexican Government that would issue between $6 and $8 billion in bonds to fi-

nance water clean-up. They are all important. They should be seriously considered.

Regarding your last question on outreach to small- and medium-sized firms, we think the industry itself is taking action to assist small- and medium-sized environmental firms. At least we are within our own organization. Some of the smaller firms are entering into agreements with larger companies to the benefit of all to be able to offer a more complete package of goods and services on the international market. The cooperation has been referred to as bundling.

We suggest the agencies investigate how they might encourage more bundling. In fact, we had a very brief chat with Eximbank which is familiar with this concept and is encouraged by it. We think that is one of the ways to get small and medium-sized firms involved in the international marketplace.

We believe that there is a great need for our Government's trade agencies to develop a coordinated and unified strategy toward export development and promotion and to more closely cooperate with business in developing and funding its programs, and to better coordinate the resources of all the trade and development agencies to avoid confusion and duplication and make better use of our Government's limited resources.

We are very encouraged by the Trade Promotion Coordinating Committee and we believe, hope that they are taking important steps toward realizing these goals. We do not know the details yet of the TPCC's plan, but we emphasize the importance of private sector input. We respectfully request your assistance to ensure that.

Mr. Chairman, we compliment the staffs of the agencies for their work and express appreciation to this committee for its thoughtful oversight of the programs. We think working together, the public and private sector, can ensure that America's environmental technology and services remain the best in the world. We will continue to serve the world.

Environmental technology is no longer a luxury. It prevents plagues, mutations, cancers, and other life-threatening conditions. We will continue to work closely with you and other members of the subcommittee and the Congress to share our ideas and problems and experience in exporting environmental technologies.

We look forward to your continued success in making these agencies effective champions for American business.

Thank you.

Mr. GEJDENSON. I have just a couple of questions. I have several others we will send to you rather than making you wait through a vote.

How have you done as an investor, David?

The State's program, I think, is one that is very courageous, especially since you take the highest risks. Those people that have their own resources or can easily market their products go to the traditional market place. Has that been successful for the State as well as one producing new jobs in the State and, two, obviously as far as a return on investment?

Mr. DRIVER. I think since the predecessor agency of Connecticut Innovations, which was called the Connecticut Product Develop-

ment Corporation was created in the early seventies there, has had about 3,000 jobs created in small companies at probably an estimated $40 million over 20 years worth of work. One of the problems with taking the highest risk is that you can lose as much money as a venture capitalist but cannot make as much money as a venture capitalist because you are taking the risks that the private sector will not.

What you are doing is participating at the margin. New efforts by the State have been to instead of utilizing $2 million a year in more grant-like operations is utilize more like $10 million a year in more pure investments but be more narrowly focused. The earlier years for any new product are critical and environmental technology is one of the key areas.

Mr. GEJDENSON. How have you been doing as far as an investor?

Mr. DRIVER. We do not make very much money as an investor.

Mr. GEJDENSON. Do you lose money?

Mr. DRIVER. We lose money, yes.

Mr. GEJDENSON. But overall, you think you are helping to build a critical base of the industry in the State?

Mr. DRIVER. The economic development infrastructure we are creating belies that financial return that the private sector is looking for.

Mr. GEJDENSON. If you look at government's role in tax abatements for existing industries in outright grants, you at least have some chance for repayment as oftentimes we get none.

Mr. DRIVER. Absolutely.

Mr. GEJDENSON. What is your sense on getting information from the Federal Government? I frankly am still frustrated by it. I am not sure if I can even get a handle on it, at times, as to why that information is not there. My sense is that as we vote on the intelligence budget today, that we ought to be focusing our resources on the intelligence of finding out where we have markets abroad as much as anything else.

Is that tough information to get still?

Mr. MIZROCH. Yes. I am carefully constructing my answer. We do think that more and better information can probably be gathered and disseminated more quickly. There are these trade data banks. We are encouraged by the concept of this one-stop shopping. I don't think that the technology and database and information that have evidenced themselves in the private sector has necessarily been realized in the Federal Government yet.

Mr. GEJDENSON. You should be a diplomat.

Mr. MIZROCH. I was once, Mr. Chairman.

Mr. GEJDENSON. Thank you.

We thank both of you for your patience, sitting through the hearing.

Thank you.

Mr. DRIVER. Thank you.

Mr. MIZROCH. Thank you.

[Whereupon, at 3:50 p.m., the subcommittee was adjourned.]

APPENDIX

Opening Statement of Rep. Sam Gejdenson
Chairman, Subcommittee on Economic Policy, Trade and Environment
U.S. Environmental Exports
August 4, 1993

Today and tomorrow, the Subcommittee is holding hearings on the need to craft an effective export promotion strategy for the U.S. and to devote sufficient resources to promoting U.S. exports. We will be looking at two sectors of the economy which are important to the country and to my home state of Connecticut: today, environmental exports, and tomorrow, the export of the products of defense diversification and conversion.

When new environmental agreements where hammered out at the Earth Summit last year, it was good news for the global environment. But it was also good news for American companies which produce goods and services to prevent, reduce, or clean-up pollution. As countries try to live up to their new commitments, new market opportunities will be created for environmental firms.

Given the potential benefits of increased environmental exports to American companies and American workers, we must help turn these new market opportunities into actual exports. We need to focus our export promotion resources on the U.S. environmental industry for three reasons.

First, the U.S. had a $4 billion trade surplus in the environmental sector in 1990. We have watched U.S. firms lose their competitive edge to overseas competitors in too many critical sectors, and American workers paid the price. The U.S. environmental industry must not be allowed to lose its competitive position.

Second, environmental exports not only help American firms and American workers, but also help to protect the global environment. U.S. firms manufacture technology which lower greenhouse gas emissions, reduce water and air pollution, and provide for safe disposal of waste. We all benefit by the diffusion of this technology to other nations.

Third, the international market for environmental goods and services is growing rapidly. The global environmental market currently stands at $270 billion annually, of which $155 billion is outside of the U.S., and is expected to reach $400 billion by the end of the century. If U.S. firms manage to capture 20% of the growth anticipated in the overseas environmental market, an estimated 300,000 new American jobs will be created over the next seven years.

We must ensure that U.S. environmental firms are in a good position to fight their European and Japanese competitors for this growth market.

Despite the importance of the environmental sector, the U.S.

has clearly not allocated enough resources to promoting environmental exports. A comparison of export promotion spending for manufactured products is a good indicator. The U.S. spent $231 million in 1990 to promote manufactured exports, while France spent $417 million, Italy spent $309 million, and the U.K. spent $298 million. If the U.S. is serious about helping U.S. environmental firms win overseas markets, these figures must change.

Aside from the spending issue, U.S. export promotion programs need to be fine-tuned and better coordinated to ensure that U.S. environmental firms get the help they need. President Clinton has fortunately called for the development of an environmental export promotion strategy to solve this problem.

In developing this strategy, the Administration must consult closely with environmental companies to ensure that the strategy meets their needs. The agencies involved in crafting the strategy, especially EXIM, OPIC, TDA and the Commerce Department, also need to reach out to small- and medium-sized environmental exporters and encourage them to take advantage of existing programs.

It is critically important that these steps be taken. In my home state of Connecticut, there are over 500 environmental firms, all of whom should be selling their products and services overseas. Increasing environmental exports from Connecticut would be a great boost to the local economy, and position the state to be a major player in the international environmental marketplace in the 21st Century.

I would like to commend Rep. Gerry Studds, Chairman of the Merchant Marine and Fisheries Committee, and Rep. Elizabeth Furse for focusing attention on this important subject, and I look forward to their testimony today.

I would also like to thank today's other witnesses for their flexibility in arranging today's hearing and for testifying today.

STATEMENT OF
KENNETH D. BRODY
PRESIDENT AND CHAIRMAN
EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON ECONOMIC POLICY, TRADE,
AND ENVIRONMENT
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

August 4, 1993

Thank you, Mr. Chairman, for providing the opportunity for me to comment on support for the export of environmental technology, a topic of utmost importance to the U.S. economy and, of course, the Export-Import Bank of the United States ("Eximbank").

Let me say at the outset that I commend you for your interest in this subject. Properly pursued, increasing these exports will result in more U.S. jobs here at home and improve the global environment. I believe that the Eximbank represents one of the foremost examples of how government and the private sector can work together. With the proper coordination within the government as well as cooperation between the government and the private sector, I think the United States stands poised to compete for a large share of the world market for these exports, a market which is generally predicted to equal or exceed $500 billion by the end of this decade.

The Export-Import Bank's Experience with Environmental Exports

Let me begin by briefly outlining some of the steps that Exim and the rest of the government are already taking in this area. We stand ready to continue our vital role of providing financing for environmental exports. I say "continue", because the Bank is no stranger to such exports. So far this fiscal year, Eximbank's loan and guarantee programs have supported a wide variety of American environmental exports, including:

a feasibility study for a water and sewage infrastructure project in Istanbul, Turkey;

U.S. equipment, technology and project management services to improve water resources and infrastructure in rural areas of Venezuela;

and a wide array of U.S. pollution control equipment and clean, energy efficient technologies in oil refineries, chemical plants, paper mills and mining/smelting operations, which serve to curtail air and water pollution and ease the demand on natural resources.

With its programs of loans, guarantees, and insurance, as well as its special programs for small business such as the working capital guarantee, the Bank is playing an active role in helping to support environmental exports. But as I previously stated, with

improved coordination within the Administration and further cooperation with the Congress, we feel that our role may be even more active.

The mission of Eximbank is to create and maintain jobs here in the United States. We do this by providing financing for exports in situations where commercial financing is not available and where U.S. companies are at a competitive disadvantage when bidding against subsidized foreign competitors. In essence, we see our mission as "leveling the financial play field" and helping U.S. companies compete in the export of environmental goods and services.

We're approaching our goal on two parallel tracks. First, through strengthening our own efforts at the Bank, and second, through our involvement in a number of interagency groups charged with developing a government-wide strategy for the promotion of environmental exports.

Eximbank Activities

As you know, in the Export Enhancement Act of 1992 the Bank's charter was modified to allow the Board of Directors, for the first time, to deny cases based on environmental grounds. At the same time, the Bank was given a mandate to encourage the promotion of environmentally beneficial goods and services. In response to

this, Exim formed an Environmental Task Force and Environmental Working Group to develop options on: 1) criteria for using the Board of Directors' new authority to deny support for the sale of environmentally damaging products; and 2) enhancing existing programs and processes to encourage environmentally beneficial export sales in conjunction with interagency coordinating activities, which I will discuss shortly. A full range of options is now being reviewed for each of these initiatives.

Eximbank and Small Business

Given Eximbank's primary mission to provide financing for U.S. exports, the Bank has recognized the absolute imperative of providing export finance programs useful to the smaller exporter, including, of course, exports of environmental goods and services, even before the Trade Promotion Coordinating Committee (TPCC) process began. In March of 1992, Eximbank reorganized its programs serving small and medium-sized businesses and created a Small Business Division. Accompanying this reorganization were several substantive changes in the Working Capital Guarantee (WCG) and Export Credit Insurance (ECI) Programs. Most recently in mid-May, Eximbank formed a WCG Program Task Force with the primary objective of evaluating a variety of ways to further enhance the WCG program. The goal is to achieve even greater market acceptance and utility of the WCG, particularly by the banking sector which provides the funding, but ultimately for the benefit of small and medium-sized

companies that the program is intended to serve. The stimulus for these changes is that, despite programmatic changes over the past year and a half and demonstrable -- albeit moderate -- growth, many of the smaller regional banks still are not using the program.

This Task Force has not been a "solo enterprise." Rather, it has been an example of the U. S. Government agencies working together and in concert with the private sector. Specifically, the Task Force is comprised of Eximbank staff, Small Business Administration (SBA) officials and representatives from private financial institutions. The insights and specific recommendations provided by both SBA and the lending institutions have been valuable -- so much so that the revised program is expected to incorporate many of their recommended changes. While the specific details of the revised program have not been finalized, we believe the enhancements now under consideration will attract a much broader constituency.

In the future, Eximbank must continue to adapt its programs and policies to better serve the changing needs of the small and medium-sized business sector. I can assure you that Eximbank will continue to take the mission of supporting small and medium-sized businesses seriously, and will continue its vigorous support of the TPCC process. We will draw upon the cooperative spirit demonstrated in the TPCC process and involve the U.S. Government, state and local governments and the private sector.

Eximbank Environmental Outreach

In the past few months, Eximbank staff have participated in a variety of environmental trade fairs, missions and conferences, including the ECOBRAZIL trade show in Sao Paolo held in support of the 1992 Rio Earth Summit, and events in Hungary, Venezuela, China, and several here in the United States, including Connecticut, where in June our Vice President for Engineering represented us at the conference "Gas Turbines: Connecticut's Engine for Growth". In September, the Bank's staff will advise both exporters and buyers of environmental technologies about current Bank programs at the ENVIRONMEX conference in Mexico.

A few weeks ago, I had the opportunity along with Secretary of Commerce, Ronald H. Brown, and Administrator of the Environmental Protection, Agency Carol Browner, to meet with environmental exporters at a conference organized by the U.S. Environmental Business Council here in Washington. It was exciting for me to hear about the innovative technologies that are being developed all around our nation. I can assure you that we at Eximbank are committed to listening closely to the needs of our customers in the private sector as we develop our programs.

Administration Coordination of Environmental Exports Promotion

President Clinton, in the speech he delivered on Earth Day, announced a government-wide effort to increase exports of U.S.-made environmental technologies and to improve our competitiveness in the growing world market for environmentally sound products and services. As a response to this speech, the Administration established an Interagency Working Group on Environmental Exports led by the Department of Commerce. In addition to the Department of Commerce, the group includes such departments and agencies as the Office of Science & Technology Policy, the Department of Energy, Eximbank, and the Environmental Protection Agency, and meets at least weekly to evaluate and coordinate intra-governmental efforts at trade promotion.

The objective of this interagency group is to propose a government-wide strategy for promoting the development, commercialization and export of U.S. environmental technologies. This group recognizes that access to export-related financing is crucial to the success of U.S. environmental exporters and is seeking input from environmental exporters to identify their financing needs and find ways to improve the services and outreach of government financing institutions. I expect the recommendations of this group to be available early this fall.

The TPCC, which was given a statutory mandate last year in the Export Enhancement Act of 1992, has an Energy, Environment and Infrastructure Working Group. Secretary Brown is the head of the TPCC and I am pleased that he asked me to serve as the Co-Chairman of the Deputies Group. Like the Interagency Working Group, the TPCC group includes representatives from a cross section of relevant agencies. The efforts of the interagency group are complementary to the TPCC process. I am happy to say that throughout this entire process, government personnel have solicited the opinion of the private sector and experienced academics on future government policy. Our goal is to develop policies that will assist the private sector in meeting the challenges of a very competitive world market and establish procedures where government-private sector dialogue becomes a standard method of operation. This way, misunderstandings can be kept to a minimum and the government can be kept apprised of new developments and the need for changes in policy.

Conclusion

Let me conclude by emphasizing that everyone at the Bank is aware of the importance of the market for environmental technologies, and of the fact that this market is growing rapidly. We are dedicated to assuring that awareness of environmental concerns, as mandated in our charter, is strictly adhered to in all with you and other Members of Congress to assure that the "level playing field" that we hear so much about becomes a reality for U.S. exporters, and that government support for U.S. exporters, so that they can compete in a very difficult world market and maintain and expand the U.S. job base, is second to none.

OPIC Overseas Private Investment Corporation

STATEMENT OF

RUTH R. HARKIN

PRESIDENT AND CHIEF EXECUTIVE OFFICER

OVERSEAS PRIVATE INVESTMENT CORPORATION

BEFORE THE

SUBCOMMITTEE ON ECONOMIC POLICY, TRADE AND ENVIRONMENT

COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

AUGUST 4, 1993

Mr. Chairman and Members of the Subcommittee,

Thank you for inviting me to testify before you today. This is the first time I am appearing before any congressional committee or subcommittee as President of the Overseas Private Investment Corporation and am pleased to talk about an important subject -- increasing U.S. environmental exports.

I want to thank you, Mr. Chairman, Mr. Roth, and the others members of the Subcommittee, for your strong past support of the Overseas Private Investment Corporation. Both the "Jobs Through Exports Act of 1992", as well as this year's foreign assistance authorization bill, give OPIC the authority and capacity to provide sufficient insurance, loans, and loan guaranties to support U.S. private investment projects, particularly in the Newly Independent States (NIS) of the former Soviet Union. These efforts will strengthen America's resolve to advance economic reform and democratization in the region.

Protecting the Environment

Protection of the environment is a top priority for both OPIC and this Administration. As I will discuss in more detail, I have established a three point program for OPIC on the environment.

First, OPIC must more aggressively identify and seek environmental business. This means more missions, more outreach and more targeting of resources.

Second, we intend to boost investments of environmental projects through the Environmental Growth Fund.

And third, we intend to do an even better job in screening and monitoring for environmental problems.

In undertaking this program, we want to build on and expand the initiative of this Subcommittee that introduced substantive environmental criteria into OPIC's statute during the 1985 reauthorization.

1. Identification of New Business Opportunities

The first part of our environmental focus is to aggressively identify new investment opportunities for U.S. environmental companies in the emerging markets of the developing world, Eastern Europe and the former Soviet Union.

To do this we are targeting our markets carefully, looking for countries where U.S. "envirotech" companies have a competitive advantage based on their technology and the resources that OPIC and other U.S. government agencies can bring to the table.

We are cooperating with other agencies to maximize our resources and avoid duplication of effort. With support from the Latin America and Caribbean Bureau at the Agency for International Development, OPIC is now actively planning an environmental investment mission to the key Latin American markets of Chile, Argentina and southern Brazil. The mission is currently scheduled for late Fall. The mission will permit OPIC to take a proactive position in promoting new environmentally beneficial investment opportunities in this growing market.

Also, as a member of Trade Promotion Coordinating Committee (TPCC), we are participating in the Environmental Trade Working Group, established by the Export Enhancement Act of 1992. Through that Working Group we are also participating in the Interagency Working Group on Environmental Technologies that was formed to implement to implement the strategy announced by the President in his Earth Day address.

U.S. multinational companies investing overseas are a natural market for U.S. environmental technology. Together with the U.S.-Asian Environmental Partnership, we are developing a program to identify these companies, beginning with OPIC-assisted projects in the Asian-Pacific region. OPIC has also participated with the Commerce Department and the Trade and Development Agency in environmental business missions to the Czech and Slovak Republics (then Czechoslovakia), Hungary, Indonesia and Malaysia.

Several state governments have taken the initiative of establishing environmental export promotion programs. We think it is important to support these efforts. OPIC is working with the California Energy Commission to develop joint venture opportunities in the environmental and renewable energy sectors in India. India has recently liberalized its economy and opened its power sector to foreign direct investment.

2. New OPIC Programs and Services.

OPIC's Proposed Environmental Investment Fund.

The second part of our plan will be a new program to increase OPIC support for environmental projects through the OPIC sponsored Environmental Investment Fund to supplement our existing tools of finance and political risk insurance.

As you may recall, Mr. Chairman, a few years ago OPIC developed a proposal for an environmental investment fund that would provide a source of private equity capital for investments in environmentally beneficial projects worldwide. The Fund was modeled on other successful limited partnerships that OPIC has sponsored in Africa and Asia, and, more recently, in Poland and Israel.

In July 1990, OPIC's Board of Directors authorized OPIC to use up to $40 million of its investment guaranty authority to help capitalize a Fund of up to $100 million. By the time the Fund was ready to be marketed in early 1991 the equity market had entered a severe slump and the placement agent was unable to raise the necessary capital.

One of my first initiatives at OPIC was to direct the OPIC staff to make every effort to capitalize the Environmental Investment Fund as soon as possible. OPIC is working with a new manager and we expect the Fund to enter the capital markets this year. I am optimistic that with our leadership and determination, the Fund will succeed in reaching a level of capitalization sufficient to begin making investments in 1994.

Other OPIC Programs

While providing new programs, OPIC will continue to provide the critical tools of financing and political risk insurance needed by the private sector to their projects to execute their environmental projects.

Let me outline for you in greater detail how OPIC can assist American business in implementing international business opportunities.

As you know, OPIC was established as a self-sustaining corporation by Congress in 1969, as part of our nation's foreign assistance program. Today we provide U.S. companies

with project finance, political risk insurance and pre-investment services for investments in developing countries and emerging economies.

Moreover, OPIC operates on a financially sound basis. In FY 1992, accomplished its mission at no net cost the taxpayer. OPIC's political risk insurance program operates without taxpayer assistance, relying solely on income from premiums and accumulated reserves. OPIC's finance program operates on a subsidy appropriation basis, which allowed OPIC in FY 1992 to leverage less than $4 million in subsidy to yield almost $300 million in loans and loan guaranties for U.S. companies. Although not required by law, in FY 1992 OPIC returned earnings from its insurance program to the U.S. Treasury which more than covered the funds appropriated to it.

Since OPIC began offering these services to U.S. businesses, our mandates have expanded geographically and functionally, while our staff has remained lean and highly productive. OPIC now operates its programs in nearly 140 countries, including almost all of the republics of the former Soviet Union. Added to our original development mandate is an equally strong mandate to promote U.S. exports and U.S. jobs. Today, OPIC helps U.S. companies compete more effectively in the global marketplace, creates jobs here at home, increases exports of U.S. products and facilitates the spread of free enterprise and democracy, while at the same time, helping the developing world.

3. Even Better Environmental Project Review and Monitoring

The third part of our environmental program is careful review and monitoring of OPIC projects to make certain they meet acceptable standards.

OPIC makes every effort to ensure that projects it supports do not adversely affect the environment, worker safety or public health. OPIC carefully screens all proposed projects for environmental effects and denies assistance to any project which would significantly harm the environment. When OPIC receives an application for a project that does not meet its environmental criteria, OPIC may suggest mitigative measures that, if effectively implemented, would make the project eligible. If the investor is unable or unwilling to implement such measures, OPIC will reject the project.

From FY 1989 through FY 1992, OPIC conducted environmental assessments for 274 projects. The Corporation formally declined assistance to 11 of these projects exclusively on environmental grounds. (OPIC also informally discouraged many other environmentally questionable projects at the pre-application stage based on the sensitivity and awareness of OPIC personnel to our environmental criteria). Implementing these criteria has sensitized OPIC to the needs of the developing world and the newly emerging economies and to the vast potential for exports of U.S. environmental technology, both goods and services.

Outlook for Environmental Export Opportunities

The U.S. environmental industry has evolved by meeting the needs of a huge domestic market. Today, there are about 62,000 American companies in the pollution abatement and environmental protection industry, with a total revenue of $86 billion amounting to nearly 2% of U.S. GNP. While this market is still growing, it also is changing technologically from a market focused on pollution control and abatement to one geared towards prevention and management of environmental risks.

In the meantime, overseas environmental markets are big and getting bigger. As other nations seek to enhance their own environmental quality and upgrade their environmental

standards, opportunities are emerging for the United States to supply the rest of the world with American environmental technology at competitive prices.

Although the industrialized countries will continue to comprise the largest market for environmental technologies in the foreseeable future, their growth rates will soon be overtaken by those of the emerging markets of the developing world and the countries in transition to market economies. These markets are growing in response to decades of urbanization and rapid industrialization with little attention to the environmental impacts.

According to a recent OECD study, the global production of goods and services for pollution abatement and environmental protection is now estimated at $200 billion and is projected to grow into a $300 billion market by the turn of the century. An industry analyst estimates that more than 300,000 new jobs could be created in the United States through enhanced exports of environmental technology. We're talking about one of the fastest growing industries over the next twenty years, a catalyst for U.S. economic development and job creation.

Governments of other industrialized countries are increasingly regarding their domestic environmental industries as a strategic sector and have established aggressive export-oriented programs providing technical and financial support for their environmental industries.

Our competitors recognize that while exports are necessary for a viable and competitive envirotech industry, exports alone are not sufficient. Globalization is already pushing the environmental industry towards direct investment through cross border mergers and acquisitions, joint ventures or collaboration with foreign partners. To compete overseas, U.S. companies need an overseas presence.

The Subcommittee has also requested that I address other specific issues in my testimony. One of these is how does OPIC contribute to the promotion and diffusion of U.S. environmental technology?

OPIC's Contribution to Exports of U.S. Environmental Technology.

OPIC contributes both directly and indirectly to the export of U.S. environmental technology. During the past several years OPIC has assisted, with political risk insurance or financing, approximately fifty projects involving, as their primary objective, the export of U.S. environmental technology, both goods and services. These projects are expected to result in a total of **$618 million in U.S. exports** of environmental and alternative energy technologies and to generate about 6,300 person-years of U.S. employment.

Let me offer a few examples of the types of environmental investments that OPIC has assisted:

Ford Motor Company/Brazil. In Brazil, the Ford Motor Company is manufacturing emission control equipment for sale to the Brazilian automotive industry. The electronic emission control devices are required to meet new, more stringent, emissions standards adopted in Brazil. Ford has the technological and manufacturing expertise to exploit this new market in which direct U.S. exports would be unable to compete. The manufacturing project will result in $4.45 million in initial U.S. procurement and in ongoing U.S. procurement of $10 million annually.

Environmental Systems Corporation/Slovak Republic. In the Slovak Republic, OPIC is assisting a project by the Environmental Systems Corporation to provide environmental engineering services, monitoring, and equipment to industries located in the newly democratic countries of Eastern Europe. Environmental Systems will apply U.S. technologies to the monitoring of air quality, water quality and stack emissions in addition to providing engineering services for pollution control. This project will assist these formerly communist states to build much needed capacity in the area of pollution monitoring and control. Over the first five years of operation, Environmental Systems will be directly responsible for almost $3 million in direct U.S. procurement.

PQ Holdings Corporation/Thailand. PQ Holdings, a small U.S. company, is entering the Asian market for phosphate-free detergents with projects financed and insured by OPIC in Thailand. PQ is a manufacturer of synthetic zeolites, which substitute for phosphates in laundry detergents, and will contribute to reducing water pollution in Thailand's urban areas. U.S. exports resulting from this investment will amount to $3 million.

Harbert International/Egypt. OPIC's support of an AID-funded sewerage construction project in Egypt provides a good example of U.S. Government agencies working together to provide exports and jobs for U.S. firms. With the support of $20 million in OPIC insurance, Harbert Jones Companies, a joint venture between Bill Harbert International Construction of Birmingham, Alabama, and J.A. Jones Construction Company of Charlotte, North Carolina, won the $115 million contract. By providing the necessary insurance to this U.S. joint venture, over $85 million in procurement dollars were returned to the U.S. economy, generating 858 person years of employment. A follow-up project awarded to Harbert Jones Companies resulted in another $32 million in procurement and 231 person-years of U.S. employment.

OPIC also contributes to the export of U.S. environmental technologies in several indirect but important ways. OPIC operates on the premise that exports usually follow direct investment. The link between investment and trade has not always been well-recognized but it is strong and growing. A July 7, 1993 New York Times article reported that "trade experts say they have found a striking correlation between investment and exports..." The article goes on to state that "***Investments***, not just low tariffs and open markets, ***are the engine for sales in foreign markets***." (Emphasis added). According to Edward Graham of the Institute for International Economics, "Overwhelmingly, U.S. exports of manufactured goods go to countries where there is substantial U.S. direct investment presence."

Because of OPIC's selectivity in supporting only those investments that are in no way detrimental to the U.S. economy, investments assisted by OPIC result in an even stronger relationship between investments and U.S. jobs. Since OPIC began operating in 1971, projects supported by OPIC have generated an estimated $32 billion of U.S. exports, producing some 381,000 person-years of employment for Americans. For example, in Venezuela OPIC insured a portion of GTE's equity investment in Ven World Telecom C.A. to help privatize, expand,

and modernize the Venezuelan national telephone system. In addition to upgrading the country's telecommunications infrastructure, the project is expected to maintain existing employees and create new jobs within the Venezuelan economy. Significant benefits to the U.S. economy will also result, including the procurement of operational inputs from American manufacturers totaling approximately $740 million during the first five years of project operations.

In FY 1992 alone OPIC facilitated a record $8 billion in total investment, through the issuance of $3.4 billion in insurance and commitments of $274 million in direct loans and loan guaranties. These investments are projected to result in direct U.S. exports of $3.1 billion, as well as more than 24,173 person-years of U.S. employment.

OPIC's investment criteria contribute directly to U.S. exports of environmental technology by requiring U.S. companies operating in developing countries and emerging economies to apply international standards of environmental management. To meet these requirements, companies usually find it cost-effective to use the same U.S. technology they use in their domestic operations. Over the past several years, OPIC's policy has created many opportunities for U.S. environmental equipment suppliers as well consulting firms, in countries where host government regulation has traditionally been weak or even non-existent.

For example, you may have noticed a front-page article in the Wall Street Journal on June 18, 1993, describing the activities of U.S. mining firms in Latin America. One of the firms mentioned in the article was Battle Mountain Gold, which was hailed for its application of U.S. environmental standards at its new Kori Kollo gold mine located high in the Andes. According to the article, these standards were adopted at the request of international lending institutions. Among the lenders, it was OPIC that took the lead in requiring that U.S. environmental standards be applied to the project.

Another way in which OPIC contributes to the promotion and diffusion of U.S. environmental technology is to notify host governments of U.S. environmental laws and regulations affecting environmentally sensitive projects. This provides foreign governments with environmental regulatory models that are compatible with the environmental technologies developed by U.S. companies to comply with these regulations. OPIC's environmental notifications have been provided to countries as diverse as Brazil, India, Saudi Arabia and the Philippines.

Conclusion

In closing, let me offer a final observation. OPIC is committed to increasing our exports of environmental technology and improvement of our global environment. Our three point program to find business opportunities, provide the tools make the opportunities happen, and closely review and monitor projects will allow OPIC to better assist in this effort.

That notwithstanding, and with due respect to our coordinated U.S. Government agency efforts, there is no substitute for the energy and commitment of environmental entrepreneurs. The U.S. environmental industry has exhibited great creativity and marketing prowess in the dynamic and competitive North American market. It can not afford to do less -- in fact, it must do more-- to compete effectively in the emerging global market. That is why I am pleased to see the U.S. industry coming together in trade associations such as the Environmental Technology Export Council and the Environmental Business Council. By working with organizations such as these, as wall as with individual companies, the U.S. government will be better prepared to focus its programs and limited resources where we can do the most good, for both the environment and for our own economy.

U.S. TRADE AND DEVELOPMENT AGENCY

TESTIMONY OF NANCY D. FRAME
ACTING DIRECTOR
U.S. TRADE AND DEVELOPMENT AGENCY
BEFORE THE
HOUSE COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON ECONOMIC POLICY, TRADE AND ENVIRONMENT

AUGUST 4, 1993

Good afternoon Mr. Chairman and Members of the Subcommittee. I am pleased to appear before your Subcommittee today to discuss the role of the U.S. Trade and Development Agency (TDA) in promoting exports of U.S. environmental technology. You have asked TDA to address four questions: how does TDA contribute to the promotion of U.S. environmental technology; what percentage of TDA's activities have environmental components and lead to the export of environmental technology; how does TDA coordinate its environmental export promotion efforts with those of other Federal agencies; and how can TDA increase its outreach to U.S. environmental firms in order to increase TDA's support for projects with environmental components? Are any legislative changes required in this regard? I will address each of these questions in my testimony.

How does TDA contribute to the promotion of U.S. environmental technology? As you know, Mr. Chairman, TDA is a commercially-oriented foreign assistance program. Our mission is to assist developing and middle-income countries to plan major infrastructure and industrial projects and at the same time to assist U.S. companies in exporting to these projects. TDA accomplishes this mission by providing grants to developing countries to fund feasibility studies and other project planning services on their major capital projects.

There is no doubt that capital projects in developing countries offer significant opportunities for U.S. exporters, both large and small. Export sales to major projects in a country can provide U.S.

firms with market entry and exposure, thus helping them establish a position in sectors that would otherwise be very difficult to penetrate. However, U.S. firms are often disadvantaged in competing for these major projects because other governments have sizable programs to assist their firms in a variety of ways.

To attempt to "level the playing field," TDA uses its funds to position U.S. firms in the early planning phases of these projects. Our basic operating premise is that if U.S. firms are engaged in the initial stages of a project, then the likelihood of U.S. exports to downstream activities is greatly increased. Through this process, TDA leverages U.S. tax dollars for the maximum benefit of both the recipient country and the U.S. private sector: we bring U.S. expertise to developing nations and capture reciprocal benefits for the United States in the form of increased exports and jobs.

Concern for the environment in the developing world is a recent but growing phenomenon. Since 1984 TDA has obligated over $21 million for studies or other activities related to environmental projects, that is, projects designed to deal with specific environmental problems such as management of municipal solid waste. Most of this amount was obligated in the last four to five years. Implementation of these projects will require the purchase of millions of dollars of environmental technology. In addition, many of the TDA-funded studies for projects in other sectors such as energy, natural resources, manufacturing and transportation have environmental components. The modernization efforts contemplated in these projects will also require the procurement of environmental equipment and services.

TDA's strategy for assisting U.S. exporters of environmental technology has varied depending on the needs of the region.

In *Eastern and Central Europe*, TDA's approach has been twofold. First, we have funded studies on large, highly visible public sector projects such as wastewater treatment in Budapest, Hungary or in Krakow and Bielsko-Biala, Poland. By funding such studies, TDA enables U.S. companies to establish a presence in the affected countries and to familiarize host country officials with U.S. expertise and technology. Second, TDA has also targeted industrial projects which need to be made more efficient and more environmentally sound.

Although most of the environmental projects in Eastern and Central Europe have not yet moved into implementation, there have already been some export successes. For example, the Westinghouse Corporation studied the modernization of thermal power plants in Poland, and this project has begun to produce follow-on work for Westinghouse and other companies. Advanced Waste Management Systems (AWMS) of Tennessee recently completed a feasibility study in Hungary to detoxify waste metal sludges by producing valuable by-products The company reports that Hungarian officials received the report very positively and that, "We are already receiving international inquiries from financial sources. More than one such facility will be needed for Hungary, and substantial U.S. exports for key components will result." For AWMS, a five person company, the TDA program has provided the opportunity and the credibility to move well beyond competing for TDA-funded work. As a direct result of its TDA-funded work in Eastern Europe, AWMS recently has won contracts with the World Bank, the Government of the Czech Republic, and with a private Czech company.

In Asia, TDA is experiencing strong demand for assistance in the environmental sector. Billions of dollars will be spent over the next few years in environmental projects in Taiwan. To assist U.S. environmental firms to gain entry to this huge market, TDA funded an assessment to determine which of the many proposed projects have the most promise for U.S. firms. This information was then disseminated to U.S. firms by means of business briefings that were held in seven cities throughout the United States.

A TDA-funded study of the Jakarta Waste Management Facility in Indonesia was the basis for a joint venture contract that Waste Management Inc. (Illinois) has negotiated with Indonesian officials. A TDA-funded study of toxic waste in Northeast China has led to several additional contracts for Ecology and Environment of Seattle, Washington, the firm that conducted the feasibility study. Finally, two recent TDA grants that funded training played a key role in helping two U.S. companies win two different waste water engineering contracts in Singapore valued at $10 million.

Because of the large markets for environmental technology in Taiwan and Korea, TDA initiated a specific program to open opportunities for small and medium-sized U.S. environmental companies to export overseas. To undertake this program, TDA provided a multi-year grant of $1 million to the International

Business Development Center (IBD), a not-for-profit consulting group affiliated with the Kellogg School of Business at Northwestern University. The TDA-funded program provided intensive support to small and medium-sized U.S. exporters by identifying and carefully screening Korean and Taiwanese buyers, matching them with appropriate U.S. suppliers, and providing follow-up support to ensure that the sale does not slip away. This approach provides the U.S. company with the critical first export contact and experience which will enable it to continue to export aboard.

Following are examples of the types of U.S. companies that have been assisted by this program:

- A manufacturer and system integrator of stack emission monitoring and control equipment that has 125 employees negotiated a contract with China Petroleum (Taiwan) through contacts initiated during a March 1991 TDA-funded match-making mission.

- A company with 115 employees sold a projected $300,000 to $500,000 of overfill prevention equipment to China Petroleum. Prior to the TDA-funded support, the company had no dealings with Taiwan.

- A producer of air filtration products with 40 employees concluded a deal with a Korean engineering company projected to result in several hundred thousand dollars in equipment and licenses.

The IBD program has thus far yielded over $190 million in signed contracts (mostly in the environmental sector) with another $400 million in pending sales. This is an excellent return on the $1 million that TDA invested.

As Latin American countries continue their economic development, environmental issues are coming to the forefront. TDA has responded by funding a growing number of environmentally-related activities in the region. For example, TDA funded a waste water project in Chile; an industrial and municipal waste water clean-up project in Paraguay; a hazardous waste study in Buenos Aires, and a waste water study in Cordoba, Argentina; a water sanitation and rehabilitation project in Venezuela; orientation visits for environmental officials from Brazil, and a number of feasibility

studies in Mexico involving air pollution and hazardous waste in Mexico City and a waste water treatment facility in Chihuahua.

Although most of these projects are still at the early stages, we have already achieved some notable export successes in Latin America. For example, in Venezuela, TDA-funded studies of water supply and control projects (Hueque II and Morrocoy) have led to major construction management contracts and equipment sales for U.S. companies. In Mexico, a TDA-funded feasibility study to improve the environmental impact of the AHMSA steel complex has led to U.S. Eximbank support for $29 million worth of U.S. equipment. Also in Mexico, a TDA-funded study of Mexico City's air pollution problem has substantially strengthened the reputation and credibility of the Radian Corporation (Texas) which has gone on to win several other environmental contracts in Mexico. Radian had been unsuccessful in breaking into the Mexican environmental market before the TDA grant but now credits the TDA assistance as providing the necessary catalyst for its expanding business in Mexico and other Latin American countries.

What percentage of TDA's activities have environmental components, and lead, in one way or another, to the export of environmental technology from the U.S.? As indicated earlier, environmental projects represent a growing sector for TDA. In the three most recent fiscal years (1990, 1991 and 1992), TDA allocated $14.7 million to assess more than 40 different environmental projects (including water control and potable water supply) in the developing world. These environmental projects accounted for about 13% of all TDA projects and around 15% of TDA's total program budget in these three years.

In fact, TDA activities in the environment are somewhat more extensive than the statistics above suggest because TDA also has funded energy and industrial projects such as flue gas desulferization in a thermal power plant and pollution control in a steel plant that will require the procurement of environmental technology. Finally, most of TDA's feasibility studies that are otherwise unrelated to the environment include a review of the impact of the project on the environment.

While the examples cited earlier indicate that some of TDA's environmental feasibility studies have already paid dividends, we should also note that in many cases environmental projects take

many years to implement. In addition, one significant constraint related to environmental projects in all regions, with the exception of Taiwan, Korea, Singapore and Hong Kong, is lack of financing. The countries are not yet willing to use their limited borrowing capacity for environmental projects unless there is an immediate, recognized threat to the health of the people. Consequently, most countries seek to fund these projects through private investment. However, the public commitment to enforcement of environmental regulations is, for the most part, not yet adequate to make it profitable for U.S. companies to invest in such projects. Nevertheless, the success we have had encourages us to believe that projects with environmental objectives can produce significant export results along with their environmental benefits.

How does TDA coordinate its environmental export promotion efforts with those of other Federal agencies? TDA's success in promoting environmental exports depends on cooperation with many U.S. Government agencies. For example, all of TDA's activities must be endorsed by the U.S. Embassies in the appropriate countries. The U.S. and Foreign Commercial Service (US&FCS) of the Department of Commerce provides essential assistance and support to TDA overseas. With the excellent commercial field intelligence and network of key contacts in foreign governments that USFCS provides, TDA is able to identify important projects for U.S. environmental goods and services.

To evaluate U.S. competitiveness in equipment and services, TDA relies on the resources of the Department of Commerce industry specialists, as well as the expertise of the Environmental Protection Agency (EPA).

TDA requires that the Definitional Mission (DM) contractors discuss the proposed study that they are assessing for us with the A.I.D. Mission in-country. TDA also requires that DM contractors consult with relevant technical agencies such as the Environmental Protection Agency and the Department of Energy. TDA has undertaken a number of jointly-funded conferences, symposia, business briefings, training programs, and orientation visits with these agencies.

Finally, TDA has a strong interest in ensuring a close link between its own funding for project feasibility studies and the financing for project implementation, which is the stage at which the

bulk of U.S. exports result. Consequently, TDA Regional Directors and Definitional Mission contractors are required to consult with the Export-Import Bank of the United States on every feasibility study, as the Export-Import Bank is a potential source of financing for the follow-on project implementation. For projects that will be financed by U.S. investors, TDA coordinates with OPIC in the same way it coordinates with Export-Import Bank. Finally, TDA also works closely with the multilateral development banks such as the World Bank.

TDA is an active member of the Trade Promotion Coordinating Committee (TPCC) and is working with other Federal Government agencies to improve the coordination of our export activities so as to assist U.S. exporters more effectively. TDA is also actively involved in the Interagency Working Group on Environmental Technologies which is developing a strategy for increasing U.S. exports of environmental technologies.

How can TDA increase its outreach to U.S. environmental firms in order to increase TDA's support for projects with environmental components? Are any legislative changes required in this regard? TDA currently uses a variety of means to get its project and export opportunities information to companies throughout the United States.

For example, TDA provides project information to U.S. companies through a TDA publication called the *TDA Bi-weekly*. This publication provides U.S. suppliers and manufacturers with up-to-date information and contact names and telephone numbers on TDA-supported projects. The publication is available by subscription and through the National Trade Data Bank of the Department of Commerce.

We also provide export information to U.S. companies by means of business briefings and orientation visits of foreign officials who are responsible for implementing major capital projects in their countries. These orientation visits are particularly helpful to small businesses that through them gain access to foreign officials and information about the export opportunities in major projects without incurring the high cost of travel to the foreign country. TDA often co-sponsors these orientation visits with U.S. industry, and in this regard works closely with the industry trade associations.

Finally, TDA has established an outreach program through the National Association of State Development Agencies (NASDA). Through this link, TDA provides trade information to the states. The states in turn contact local businesses about export information available through TDA. NASDA also provides training to state staff and to businesses so they are prepared to bid and win international procurement opportunities.

TDA does not feel that any legislative changes are necessary to enhance our outreach to environmental firms at this time.

In conclusion, Mr. Chairman, TDA is committed to working closely with the U.S environmental business community to assist companies to compete effectively in the huge, largely untapped, and risky markets of developing and middle-income countries. We believe that our assistance, when coupled with the efforts of the U.S. Government agencies represented here today, will increase U.S. exports of environmental technology to developing countries around the world.

I would like to thank you, Mr. Chairman, for the strong support that this Subcommittee has given TDA. We look forward to working with you to continue to enhance the effectiveness of our program.

Testimony of Jonathan Sallet
Assistant to the Secretary and Director of the Office of Policy and Strategic Planning
U.S. Department of Commerce
Before the Subcommittee on Economic Policy, Trade and Environment
House Foreign Affairs Committee

August 4, 1993

Good Afternoon. I am very pleased to represent the Secretary of Commerce in testifying on the Administration's efforts to develop a national strategy to promote U.S. exports of environmental products, services, and technologies and the Department of Commerce's activities in this area. We strongly believe that a national strategy is essential to creating new jobs domestically and helping other countries to meet their most basic needs to provide clean air and water to their citizens.

Secretary Brown testified on June 23rd before the Senate Banking, Housing, and Urban Affairs Committee on the Department of Commerce's comprehensive technology and trade strategy. The Department's efforts are geared toward aggressively promoting technological innovation and commercialization of new technologies and significantly increasing U.S. exports. This vital link between technology and trade is perfectly illustrated by the subject of today's hearing: environmental technologies.

The Global Market for Environmental Technologies

We see an enormous potential for exports of U.S. environmental technologies. The global market is already large and may surpass the aerospace industry in dollar terms and employment by the year 2000. With a market potential ranging from $300 billion to $500 billion for environmental products, services, and technologies, we cannot afford to ignore the possibilities for job creation, enhanced technology development and commercialization, and our major role in helping other countries protect their environment. Developing countries will probably see the largest growth rates although their absolute numbers will be small in comparison to those for industrialized countries. Mexico is, of course, a country where tremendous opportunities exist and where many U.S. companies have established a strong presence. Other nations in Latin America such as Brazil and Chile also offer great potential.

In Asia, there are also great possibilities for U.S. industry. For some markets such as China, Indonesia, Taiwan and Thailand the potential is great. However, in order to convert this potential to U.S. exports much needs to be done. We must assist these countries in establishing national environmental protection programs. This is where cooperation with agencies such as the Environmental Protection Agency (EPA) and the Department of Energy (DOE) is essential. The same is true in the Newly Independent States and central Europe, two other regions with long-term potential but which pose difficult challenges for U.S. exporters in the near term.

Administration's Environmental Strategic Plan

This Administration is deeply committed to the development of policies to protect the environment, promote economic growth and create high-skill, high-wage jobs. President Clinton recently cited the three principles that guide this Administration's environmental agenda:

"First, we believe a healthy economy and a healthy environment go hand in hand. Environmental problems result not from robust growth, but reckless growth. And we can grow the economy by making our people healthier, our communities more attractive, and our products and our services more environmentally conscious.

"Second, America must lead the way in promoting economic growth and environmental preservation at home and abroad.

"We live in an era of global economics, global environmentalism, global epidemics. Our lives and our livelihoods depend on people throughout the world being healthy and prosperous and respectful of the planet we all share. What is good for the world in this sense is very good for America; and

"Third, we must move beyond the false choices and unnecessary antagonism of the past. From American business and American labor to the world's wealthiest nations and the world's poorest, we all share a common interest in economic growth that preserves rather than pollutes our environment.

"America," the President said, "can set an example by achieving economic growth that can continue through the lifetimes of our children and grandchildren because it respects the resources that make that growth possible."

The President in his Earth Day speech directed Secretary Brown to spearhead an interagency strategic plan to improve the competitiveness and increase exports of U.S. environmental technologies. The Secretary of Commerce is also a member of the Council on Sustainable Development. The Department of Commerce through the International Trade Administration, National Oceanic and Atmospheric Administration, and the National Institute of Standards and Technology is ideally suited for this task. We are carrying out this directive energetically within Commerce and in partnership with the EPA, DOE, and the Export-Import Bank. In addition other agencies that are members of the TPCC have been participating in our development of a government wide strategy to expand exports of environmental technologies.

We have had some informal contacts with trade associations and plan to have a series of open meetings in different parts of the United State in late August and September to solicit input from all public stakeholders in environmental technologies and exports.

Commerce Environmental Technology Export Promotion

As a first step, the Secretary is integrating all of the Department's export promotion, technology commercialization, and science resources to carry out the President's vision. This strategic integration will build on activities already underway such as the National Environmental Technologies Trade Initiative (NETTI). A cornerstone of the NETTI is the development of a strong public/private partnership, coupling federal resources with private sector organizations whose expertise in the environmental arena is widely sought around the world.

As the lead player in implementing the Clinton Administration's Technology Plan, the Department is tasked with increasing the competitiveness of the environmental industry. Particularly important is the commercialization of new technologies, the focus of NIST's manufacturing extension programs.

A logical extension of these efforts would be the use and interaction of technology programs with the International Trade Administration's district offices to work together to educate and train small- to medium-sized companies on environmental technology opportunities overseas and to assist in deploying environmental technologies in a commercial environment.

The National Oceanic and Atmospheric Administration's (NOAA) research and monitoring programs also will contribute significantly to the President's environmental technologies export initiative. NOAA's Chief Scientist, Dr. Kathyrn Sullivan, combines a practical, hands-on approach with tremendous lab and theoretical skills. Her focus will be on facilitating the transition from groundbreaking research to practical application.

NOAA's scientific research demonstrates to foreign nations and corporations the existence of environmental problems by identifying the effects of their actions on Earth systems. NOAA's scientific programs demonstrate that these problems can be rationally addressed, thereby giving the confidence to proceed with sensible, cost-effective remediation and prevention programs. Further, NOAA's scientific capabilities provide the world with sophisticated tools for use in attaining sustainable development. As a result, NOAA helps generate a demand in foreign markets for U.S. environmental technology.

In response to the Department's new strategy to expand U.S. markets and exports by focusing on the development of innovative environmental technology, NOAA and NIST are presently developing collaborative projects as part of their FY95 budget initiatives that will form better linkages to and partnerships with private industries, both domestic and international. These projects will address already identified problems in environmental hazards mitigation such as wind engineering requirements and standards for new building design and the use of marine biotechnology in pollution remediation. In addition, the establishment of a standards and calibration facility for marine instrumentation exposed to often hazardous and destructive environments is being negotiated.

The International Trade Administration (ITA), as the principal Commerce agency responsible for export promotion, identifies opportunities for U.S. environmental technologies in existing and emerging foreign markets. We use a number of techniques to help U.S. industry capitalize on these opportunities. These include the more traditional market promotion techniques -- trade missions, trade exhibitions, seminars/conferences -- and combining technical/educational seminars with a business-to-business forum designed to match U.S. environmental technology suppliers with foreign customers.

The Department has organized, sponsored, and led more than thirty environmental trade events to Eastern Europe, Latin America, Southeast Asia, and the Pacific Rim. Participants were, for the most part, small- to medium-sized environmental companies where we have seen the greatest success in new jobs creation, technology innovation, and creativity. These firms tend to be more entrepreneurial and risk takers. Their CEOs are to be admired because of their willingness to compete with larger, more sophisticated Japanese and German companies who have access to resources far greater and support more deeply rooted than found in the United States.

By integrating these three Commerce units, we will maximize our ability to aid the U.S. environmental industry. It is our hope that with this kind of federal assistance, U.S. environmental technology firms will be able to take advantage of emerging markets in the developing world and to build upon their comparative advantage in technological innovation.

Federal Efforts to Promote Environmental Technologies

As I have already noted, we believe, as does the President, that we can only succeed in our goal of expanding exports of environment technologies if there is an integrated effort across all agencies. Critical to this effort is the U.S. Environmental Protection Agency. In order to sell U.S. goods and services abroad, there must be markets and a demand for our products. Since many of most promising markets are in developing countries, a great deal of education and training is necessary. And, most importantly, we need to encourage these countries to adopt environmental standards that provide for a cleaner, healthier environment -- and give U.S. firms sales opportunities. Other countries have been busy promoting standards that favor their own companies. EPA is essential to this effort -- providing expert advice on technical assistance, regulatory enforcement, technology development and certification through its laboratories. Internationally, EPA assists in building the institutions necessary to implement national environmental protection programs.

Other federal agencies including the Export-Import Bank and the Overseas Private Investment Corporation administer various financial programs that are critical to sustaining an ambitious environmental initiative. These agencies, along with the U.S. Agency for International Development and the Trade and Development Agency, are critical to providing the financial support to identify projects in foreign countries, complete the feasibility studies, and finance economically viable, environmental control and remediation projects.

Analysis of National Environmental Trade Developmental Act (H.R. 2112)

The broad goals of the proposed legislation to foster increased U.S. exports of environmental technologies are consistent with the President's policy and with the Department's ongoing efforts to refine interagency efforts to achieve his objectives. The Department is in the process of formulating a long-range strategic plan for the environmental technology exports at the direction of the President and we expect to have the plan ready by the end of September. The Administration's goal is the same as that of the proposed legislation -- to take advantage of the enormous global market opportunities by expanding U.S. environmental industry exports.

However, we would prefer to develop our strategic plan and

consult with industry closely before determining what specific new assistance programs we should undertake. We agree that industry must play an important role in developing an appropriate strategy to assist environmental companies in foreign markets. We believe, however, that industry should be consulted before any program is determined and that all needs be examined and weighed in light of their importance to helping U.S. industry succeed against its competition. Programs should be evaluated on a national basis and consistent with the specific technologies where the United States has a demonstrable and clear comparative advantage. We must find markets in which we excel, such as geographic information systems (GIS), bioremediation, and newly developed industrial waste eater treatment systems that use waste heat, and apply our combined resources (government and industry) to accomplish our goals.

The proposed legislation also requires the President to establish an Environmental Trade Promotion Council. As you know, we are now implementing creation of the Congressionally-mandated Trade Promotion Coordinating Committee environment working group, which seems to us to serve a similar function. Further, in light of the President's goal of reducing the number of advisory committees, the Administration does not support the creation of a new committee. We, of course, agree that industry participation is essential to formulating any sound, long-term strategic plan to assist the environmental sector and are committed to encouraging their participation.

David Driver

Testimony before the

Subcommittee on Economic Policy, Trade and Environment

August 4, 1993

Introduction

The State of Connecticut is actively working to foster the growth and expansion of environmental industry in Connecticut. The environmental technology industry is particularly attractive to Connecticut because it helps the state in three ways:

1) the technologies can be used to help Connecticut companies and institutions comply with environmental regulations, improve air and water quality, and improve competitiveness;
2) the export markets for environmental technologies are growing rapidly, presenting new opportunities for Connecticut companies; and
3) the environmental technology industry is a good match with the high technology and research capabilities of Connecticut's defense industry, thus representing a strong possibility for defense diversification.

Environmental technology is one of the high-growth industry sectors identified by the Connecticut Academy of Science and Engineering as being appropriate for the manufacturing, educational and research resources resident in Connecticut. The research capabilities of the University of Connecticut and Yale University are central to high technology industry development in the state, as are the highly skilled workers in Connecticut's defense contractors and other high-tech firms.

Connecticut firms have developed a wide range of technologies, from water purification systems used in the space program to high-efficiency turbines used in the M-1 tank during the Gulf War. These technologies can be adapted for use in commercial applications, while

at the same time improving environmental performance both domestically and internationally. Connecticut's defense firms, high-technology manufacturers, and research institutions have the capabilities to successfully produce many environmental technologies. Through our venture capital arm, Connecticut Innovations, Inc., the State invests in promising new technologies developed by Connecticut companies, including those involved in:

- waste management
- environmental clean-up
- pollution prevention
- air quality improvement
- recycling
- hazardous waste remediation
- water treatment
- alternative energy

The State's commitment to environmental industry in Connecticut is evident in a number of recent developments in the state.

1) One year ago, the Department of Economic Development joined with the Department of Environmental Protection to form the Environmental Industries Initiative. One of the results of this effort was the compilation of a directory of environmental companies in Connecticut. In this initial effort to characterize and identify the environmental industry in Connecticut, 500 companies responded to a survey and were included in the directory, including over 300 manufacturers. This directory will soon be expanded to provide a more comprehensive picture of environmental industry in Connecticut, and will enable us to communicate directly with the industry to identify their unique strengths and needs.
2) Legislation was recently passed allocating $1 million in funding for a Connecticut Energy and Environmental Technologies Deployment Center. The Center is established "for the purpose of promoting a nonprofit business consortium for technology deployment in two critical technologies where the state possesses unique scientific and human resources." This center will focus in large part on

defense diversification, and on the retraining of defense industry workers for employment in environmental industries.

3) A separate piece of legislation, Public Act 93-32, establishes an Environmental Entrepreneurial Center, a joint program of the Departments of Economic Development and Environmental Protection. This center will be a clearinghouse of information to support and nurture environmental industry in Connecticut.

Connecticut's Strengths in Environmental Technology

Connecticut's most important strength in this field is our high-technology industrial base. Our highly skilled workforce, technology-based manufacturing capability and experience in the defense industry all contribute to our ability to develop and deploy key environmental technologies. As the United States comes to terms with the Clean Air Act and other environmental regulations, national markets for the technologies that enable compliance will grow. Simultaneously, there is increasing recognition around the world of the importance of protecting the environment. Countries must turn to new products and technologies to meet the requirements laid out in global accords regarding carbon dioxide and greenhouse gases. Connecticut companies are innovators, and are actively developing technologies that will improve environmental performance at home and abroad.

Importance of Environmental Exports to Connecticut

Environmental technology manufacturers are important in Connecticut, not because they currently make up a large percentage of companies in the state, but because they represent a growing industry, one which we obviously want to foster and help expand. Global markets for environmental industry, including clean up, waste treatment, pollution prevention, environmentally sound energy production, and recycling technologies are projected to grow approximately 9% annually through 1996, according to the Environmental Business Journal, of San Diego, California. Increasing the ability of

Connecticut companies to export environmental technologies, and removing barriers to doing so, could greatly increase the importance of the industry in the state. As one of our efforts to support this industry in Connecticut, the State is sponsoring the formation of a consortium of environmental companies to promote cooperation in marketing technologies, reduce the costs of producing the technologies, and improve their performance. In addition, the State of Connecticut has international trade representatives in the European Community, concentrating particularly on France and Germany; in Mexico City and in Japan. These representatives work to help Connecticut companies market and export a variety of products and technologies, including environmental technologies.

Improved Government Support of Environmental Export

The federal government can play an important role in promoting export of environmental technologies produced in the U.S. The federal government can help the states by being a reliable source of information about environmental opportunities abroad, and by supporting State export programs through special funding. The states should be the main interface between government and small businesses, since states are closer to and can be more effective at the level of the individual business. The federal government should also increase the abilities of the Export-Import Bank to finance the sale of environmental services and technology, and provide an advisory group in the federal government to assist states in developing environmental exports.

Testimony of

JOHN F. MIZROCH
INTERIM EXECUTIVE DIRECTOR
U.S. ENVIRONMENTAL TECHNOLOGY EXPORT COUNCIL

Before the

SUBCOMMITTEE ON ECONOMIC POLICY, TRADE AND ENVIRONMENT
COMMITTEE ON FOREIGN AFFAIRS
THE U.S. HOUSE OF REPRESENTATIVES

August 4, 1993

Thank you, Mr. Chairman, for inviting the U.S. Environmental Technology Export Council (ETEC) to testify before your Subcommittee to discuss Federal, State, and private sector efforts to increase U.S. exports of environmental technology. The membership of ETEC greatly appreciates your continued support and the efforts of other members of this Subcommittee to assist U.S. exporters through the programs of the agencies under your jurisdiction.

ETEC is a unique private sector initiative comprising more than 60 corporations, 8 National Laboratories, and 3 national trade associations. The purpose of ETEC is to stimulate the export of American environmental goods and services. U.S. Government support for the environmental industry is important; it is a growing industry and ought to be a major part of the national strategy that is being designed by the Trade Policy Coordinating Committee (TPCC).

Although our testimony addresses the individual questions raised by the Subcommittee, a common thread runs through all of our responses. That common thread is "Market Barriers," specifically the lack of timely market information and finance problems. To remain competitive, to maintain America's leadership in environmental technology and services, we must remove barriers in such areas as Research and Development and marketing by having more accurate, more timely information. We must mitigate financial risk through more innovative financing mechanisms. We can remove barriers and mitigate risk only through increased coordination of Federal programs and increased public-private sector cooperation.

What is the current international market for environmental technology and services? Is it a growing market? Are American companies active players?

The environmental technology and services industry only recently has been considered to be a distinct industry. Although there is not yet a set of Standard Industrial Classification (SIC) codes for the environmental and technology services industry, the Department of Commerce tends to divide the industry into the following sectors:

- Air Pollution Control
- Water Resource Management
- Waste Management
- Pollution Prevention
- Remediation.

The Delphos Institute, which is producing the 1993 edition of the *Green Pages* (directory of U.S. suppliers of environmental products and services) under a contract with the Department of Commerce and the U.S. Environmental Protection Agency, identifies just over 1,000 environmental firms interested in exporting. The Department of Commerce has a list of 1,000 additional firms that have expressed an interest in exporting environmental technology and services. These firms have exportable technology and services but may lack capital or information about markets, customers, and venture partners.

Our research indicates that the current global international market for environmental products and services is $295 billion. We believe, however, that Government agencies should commit resources to provide more accurate and more timely information for defining and analyzing this emerging market.

Our best estimates of environmental industry revenues and of growth projections by geographic area are shown in the following table. The figures are estimated based on current trends. This growth, however, may vary according to the resources that are made available. In Mexico, for example, environmental goods and services for border infrastructure alone could significantly exceed the estimate shown below.

	1992 ($ billion)	Projected Growth (%)	1997 ($ billion)
United States	134	6	180
Canada	10	11	17
Mexico	1	15	2
Latin America	6	12	10
Western Europe	94	7	132
East Europe/ex USSR	14	14	27
Japan	21	8	31
Australia/New Zealand	3	9	5
Southeast Asia	6	16	13
Rest of the World	6	8	9
TOTAL	295	8	426

Source: Environmental Business International, San Diego.

TABLE—Global Environmental Industry: Projected Growth Over 5 Years

ENVIRONMENTAL INDUSTRY SEGMENTS

One of our members, EBI, analyzed revenues generated by the sale of environmental goods and services and suggest that those goods and services can be divided into three broad categories: services, equipment, and resources. The following is a catalogue of the types of environmental goods and services in demand.

Services

Specific services in this segment include the following:

- **Analytical Services**—Environmental laboratory testing and services
- **Solid Waste Management**—Collection, transportation, transfer stations, disposal, landfill ownership/management for solid waste
- **Radioactive and Hazardous Waste Management**—Off-site disposal/ incineration; on-site management/construction of transport, storage, disposal,

and recycling facilities; remediation construction/cleanup; transportation; sampling, packaging, labeling, tracking; industrial services/cleaning; tanks and facilities

- **Asbestos Abatement**

- **Environmental Engineering/Consulting**—Permitting, compliance, design, project/construction management for water/air/waste remediation, Operations & Maintenance, audits, risk analysis, site assessment, impact statements, industrial hygiene, litigation support, pollution prevention, among other services.

Equipment

The equipment provided in this segment includes, but is not limited to, the following:

- **Water Infrastructure/Treatment Equipment**—Infrastructure and treatment equipment for waste water, water purification, and other water quality projects

- **Instrument Manufacturing**
  - Analytical testing/laboratory instruments
  - In-situ/continuous monitoring instruments (nonlaboratory)
  - Portable instruments (test kits and hand-held and field instruments)

- **Air Pollution Control Equipment**—Stationary source emission control

- **Waste Management Equipment**—Equipment for handling, storing, and transporting solid, liquid, or hazardous waste; also includes information systems and software.

Resources

Components of the resources segment include the following:

- **Water Utilities**—Private and public sector water delivery

- **Resource Recovery**
  - Post-industrial recovery/recycling/scrap
  - Post-consumer recycling
  - Waste-to-energy

- **Environmental Energy Sources**—Solar, geothermal, small-scale hydroelectric.

Which specific sectors of the international market for environmental goods and services, and which regions of the world, hold the greatest promise for American firms?

Almost ninety percent of the current environmental goods and services market is in North America, Europe, and Japan, but the highest growth areas will be outside the developed world. Contrary to popular belief, the majority of goods and services to be sold by the industry is not "high-tech." The majority of the world's short-term needs, which are related to solid-waste management, water treatment, and air-pollution control, can be addressed using relatively low-tech approaches. We believe that Federal agencies should develop more in-depth information that will help America's exporters (and potential exporters) determine exactly which short-term needs are going to be addressed, on a country-by-country basis, to help overcome barriers to business. We also believe that agencies such as TDA and OPIC can assist us in developing our own information through feasibility studies, orientation visits, and other activities. Using timely information and having access to foreign procurement decision-makers will enable U.S. firms to offer the technologies that will be most needed and marketable.

In the developed nations, environmental markets in countries usually follow a predictable course. The first problems to be addressed are the most obvious ones and the ones with the most obvious solutions involving major air- and water-quality projects such as environmental control at power-generating stations and sewage-treatment plants. Once these basic solutions are implemented, developed nations seek more sanitary methods for disposal of solid waste and establish coordinated collection, modern landfills, and some waste-to-energy facilities and recycling centers. Once these efforts are well established, toxics and hazardous waste become a focus of attention. Some U.S. firms have mistakenly tried to emphasize hazardous waste expertise in areas long before any market drivers existed. Misreading of the market in this way is a barrier. That barrier can be overcome with more accurate and more timely information, much of which should come from the appropriate Government agencies.

In developing countries, market demand for equipment and services also follows a predictable path. First there is a need for assessment and analysis, which creates a demand for consulting services and instruments; then there is a market for solution design, which also involves consulting and adds a demand for engineering; finally, there is a need for implementation of the solution design, which creates a demand for control equipment and construction.

U.S. environmental instrumentation firms that understand these two dynamics have developed good overseas business. On the other side of the coin is the increasing competition faced by U.S. air-pollution-control equipment manufacturers. Today, more than half of the new air-pollution control installations in the United States use foreign technology, and many U.S. companies with leading technology have been purchased by foreign firms.

Better information, again on a country-by-country basis, will help U.S. environmental firms determine where any given country is in the evolution of needs. This will help mitigate risk and enable U.S. firms to be more competitive in international markets.

The following are examples of the more promising markets for U.S. environmental companies:

- Mexico is a prime market in water pollution control, water treatment, air monitoring, and engineering/consulting. Mexico was identified as the number one priority market by the ETEC membership.

- Canada's market is substantial and offers opportunities in industrial water treatment, instruments, and engineering.

- The newly industrialized areas of Southeast Asia will purchase many types of services with a number of large projects in waste infrastructure and water and air quality.

- The southern tier of Europe offers opportunity as these countries seek to catch up with the environmental standards set in the rest of the European Community.

- The more economically stable regions of eastern Europe (Poland and Hungary are the best examples) are very receptive to U.S. technology for air and water pollution control.

- Japan and Germany have both shown considerable interest in U.S. technology and engineering/consulting expertise for contaminated site remediation. We have an overwhelming advantage in this area because we have so much more experience. Japan has a huge market potential, but American firms are doing a relatively small amount of business there. American firms need a better private-public export-promotion partnership to help develop these markets.

What are the strengths and weaknesses of current U.S. export promotion efforts in the environmental sector? Specifically, how would you improve the ability of OPIC, TDA, the Commerce Department and Eximbank to increase U.S. environmental exports?

Based on a survey of ETEC membership conducted last fall, only a small percentage of our members use OPIC, Eximbank, the Department of Commerce, and TDA. We believe that each of these agencies has the potential to be of even greater help to exporters. All have access to important and timely market information and financial resources. TDA, OPIC, and Eximbank have excellent and professional staff. They have well-planned and thoroughly implemented programs. TDA in particular has the ability to move more quickly than most other Federal agencies, and we would not like to see the agency bound by numerous regulatory and procedural requirements that might hamper that efficiency. The Department of Commerce, under new leadership, has the potential to reorganize itself and its staff to be an efficient provider of information and technical assistance.

We believe that there are improvements that can be made. Some are related to inadequate funds for information systems and staff or to inadequate staff ceiling levels. Some will require action by Congress, and some will simply require rethinking on the part of the new agency heads on how to coordinate with other agencies and how to speak to their constituencies. Specific problems include:

- Information
  - Inadequate organization of existing information resources that affect market development and market opportunities
  - Inadequate organization of internal services to catalyze trade development
  - Inconsistent information dissemination. We note, however, that in the last year, TDA has taken steps to improve its information dissemination, but there is still a long way to go.
- Staff
  - The U.S. and Foreign Commercial Service is chronically understaffed in most of the developing countries, those countries where the largest share of market growth exists for ETEC and other environmental exporters.

- Poor use of existing staff; the Department of Commerce has long suffered from this problem.

- Funding—The TDA, which has a proven track record of promoting exports and jobs, runs out of funds every spring. There is considerably more demand for this successful program than there are resources.

- Coordination

  - An exporter with a question may have to make eight or ten long-distance calls to Washington before finding the correct agency, the right program, and the appropriate staff person.

  - Interagency coordination is sometimes good, sometimes nonexistent. Each agency seems to do its own specific job, yet no one has taken full responsibility for project life cycles and follow-up information. We are hopeful that the TPCC efforts will help resolve this problem and believe that public input to the TPCC effort, perhaps through a special hearing in this Committee, is necessary.

The two overriding factors that affect the ability of our members to export are information and finance (including tied aid subsidies by our competitors). It is not surprising, therefore, that ETEC, on behalf of all of its members, asks—through this Subcommittee—OPIC, Eximbank, the Department of Commerce, and TDA to address these issues.

INFORMATION

Firms need as much timely information as possible when designing an export strategy. Some of our firms want lists of upcoming projects, large polluters in given countries, or other potential customers. Some members want names of other consultants, regulators. or potential foreign representatives. Other information our members want includes information on financing, foreign government budgets, regulations, project bidding procedures, and competitive analysis. A thread that runs through all of our responses is obtaining specific adequate information on which to make intelligent, competitive business decisions on marketing, investment, and sales.

FINANCE

The second overriding factor that affects the environmental business community is access to financing. Two immediately identifiable problems in this area are the shortage of

affordable long-term capital and the lack of dependable flows of income from municipalities. The environmental industry should be one of the priorities of the Government-wide Strategic Export Plan. Financing of environmental projects and equipment carries its own special conditions and impediments. Other international capital projects that create an income stream, such as power plants, industrial product plants, and toll roads, are easier to finance because the cash flow helps ensure payback of the loan. Many environmental projects that are undertaken simply to clean up industrial pollution, however, may be more problematic. It is important that Congress and these agencies work closely with commercial and international lending institutions to develop creative, unique financing mechanisms to ensure that these projects are undertaken and completed.

The strength and experience of American financial institutions is needed to assist the U.S. environmental exporter, and Government must support American exporters in the international marketplace. Congress and the Administration, in consultation with the private sector, need to stimulate the U.S. financial industry to create new financial sources and mitigate lenders' financial risk, which is the single biggest barrier to expanding U.S. environmental exports.

A number of proposals from members of Congress and the private sector call for solutions to what we have been referring to the "mitigation of risk" problem. For example, Mr. Chairman, last year you led efforts to pass the "Jobs Through Exports Act," which established a capital projects fund at the U.S. Agency for International Development (AID). The bill was signed into law in late 1992. ETEC strongly supports the principles of this legislation. Similarly, the efforts of Senators Boren, Byrd, Baucus, and Lieberman and former Senator (now Secretary of the Treasury) Bentsen brought attention to the "Aid for Trade" issues.

U.S. Trade Representative Mickey Kantor's proposal to create innovate financing techniques, now before the House Committee on Ways and Means, should be explored. In its report, the U.S. Congress Infrastructure Investment Commission explores how to bring new financing mechanisms to the infrastructure. The Commission "utilizes leverage by a combination of risk insurance, reinsurance credit enhancement and subordinated debt provisions." The feasibility of adapting the Commission's suggestions for revitalizing America's infrastructure to aiding America's environmental exporters should be investigated.

Other proposals range from (1) increasing the amount of capital available to the Eximbank, to (2) creating new municipal finance sources to issue billions of dollars in Federal guarantees to sell pollution-control and development bonds, to (3) a reported Administration plan to create a joint agency with the Mexican Government that would issue between $6 billion and $8 billion in bonds to finance border cleanup. We are encouraged by

these signs that both the Congress and the Administration are serious about supporting America's environmental technology exporters. We trust that these and other initiatives will be considered expeditiously and that, as is being done in this venue, the views of the exporting community will be solicited.

How can these four agencies better reach out to small- and medium-sized environmental firms in the U.S.?

We have basically responded to this question as we addressed the previous questions. We called for:

- Better information and better information dissemination
- Improved financing mechanisms.

To these we would add:

- Coordination of Government efforts
- Business/Government cooperation
- Better utilization of resources.

Before addressing these issues, I would like to note action the industry itself is taking to assist small- and medium-sized environmental firms. Many such firms are entering into agreements with the large environmental firms—to the benefit of all—to be able to offer a more complete package of goods and services on the international market. This cooperation is called "bundling." We suggest that the agencies investigate how they might encourage more bundling.

COORDINATION OF GOVERNMENT EFFORTS

Each of the four agencies provides valuable services to the exporting community. However, there is no coordination among the agencies to ensure that a complete, coherent, nonduplicative set of services is available. ETEC would like to see more communication and cooperation among the agencies; such cooperation could only enhance the services they already provide.

BUSINESS-GOVERNMENT COOPERATION

In addition to seeking better coordination among Government agencies, ETEC would encourage more and better cooperation between business and the Government. For example, we hope that a mechanism will be established for the private sector to have an input into the TPCC process. We believe that the private sector input is essential to the design of the

national export strategy. We do not yet know the details of the TPCC plan, but reemphazise the importance of private sector input and respectfully request your assistance to ensure it.

BETTER UTILIZATION OF RESOURCES

ETEC believes that there are many existing public and private sector resources that are not being used to their full capability. For example, through its unique non-profit organization of private sector companies and National Laboratories, ETEC could provide the TPCC with access to both the private sector and the National Laboratories. Conversely, TPCC could use ETEC to provide information to our members and the business community.

Another example of how the business and Government communities can cooperate is the development and use of a Data Network Information System (DNIS) for International Trade and Finance Information. ETEC, last month, made arrangements with the Supercomputer Center at University of California at San Diego, the largest in the world, to create a DNIS.

In summary:

- Nearly 1,000 U.S. firms want to compete in the growing global market—expected to be approximately $500 billion annually by 2000—for environmental technology and services.

- The United States has the leading technology and American firms are currently world leaders in this market.

- To remain competitive and to maintain our leadership position, business and Government must work together.

- American environmental firms look to the relevant Federal agencies for more accurate and more timely information.

- American environmental firms wish to work with Government and private financial institutions to develop innovative financing mechanisms to mitigate risk.

- We look for better coordination of Federal programs, greater public-private sector cooperation, and better utilization of existing resources.

Together, we can ensure that America's environmental technology and services remain the best in the world and that serve the world. Environmental technology is no longer a luxury. It prevents plagues, mutations, cancers, and other life-threatening conditions.

Mr. Chairman, I want to reiterate how much ETEC appreciates the opportunity to present its views before this Subcommittee. ETEC's members have worked with staff of many of the agencies reviewed here today. We compliment them for their work and express appreciation to this Committee for its thoughtful oversight of these programs. We will continue to work closely with you and other members of this Subcommittee and the Congress to share our ideas, our problems, and our experience in exporting environmental technologies. We look forward to your continued success in making these agencies effective champions for American business.

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